

# EXHIBIT C

# EXHIBIT C

SUMMARY REPORT FORMAT

THE FEE SIMPLE ESTATE  
IN THE

**“AS IS” MARKET VALUE OF ESPERANZA DEVELOPMENT  
CONSISTING OF 223 FINISHED RESIDENTIAL LOTS AND  
118.09 ACRES OF VACANT MIXED USE RESIDENTIAL AND COMMERCIAL LAND  
LOCATED AT BATTAGLIA DRIVE AND SUNSHINE ROAD WITHIN THE CITY OF  
ELOY, PINAL COUNTY, ARIZONA 82351**

**EFFECTIVE DATE OF THE APPRAISAL**

December 31, 2009

**DATE OF THE REPORT**

February 8, 2010

**DOZIER FILE NUMBER 09-123LHP**

PREPARED FOR

**SPECIALTY TRUST  
ATTN: MR. NELLO GONFIANTINI III, PRESIDENT AND CEO  
6160 PLUMAS STREET  
RENO, NEVADA 89509**

**BY**

**Raymond L. Dozier, MAI  
DOZIER APPRAISAL COMPANY  
PALM DESERT, CA 92260**

**DOZIER APPRAISAL COMPANY**  
**Resort and Urban Property Appraisers**  
**Valuation and Financial Consultants**

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RAYMOND L. DOZIER, MAI  
CERTIFIED GENERAL APPRAISER  
LICENSE # AG004590

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February 8, 2010

Specialty Trust  
Attn: Mr. Nello Gonfiantini III, President and CEO  
6160 Plumas Street  
Reno, Nevada 89509

*RE: "As Is" Market Value Appraisal of 223 finished residential lots and 118.09 acres of vacant mixed use residential/commercial within Phase I of Esperanza Development located at Battaglia Drive and Sunshine Road, Eloy, Pinal County, AZ 82351*

Mr. Gonfiantini:

Enclosed is an appraisal I have made of the "As Is" Market Value of 223 finished residential lots and 118.09 acres of vacant mixed use residential/commercial within Phase I of Esperanza Development located at Battaglia Drive and Sunshine Road, Eloy, Pinal County, AZ 82351. This appraisal was made at the request and agreement between Specialty Trust and Dozier Appraisal Company. Specialty Trust is the client and intended user of this report.

The purpose of this appraisal is to estimate the "As Is" Market Value of 223 existing finished lots (bulk or wholesale) and 118.09 acres of vacant mixed use residential and commercial land if sold to a single purchaser as of the effective date December 31, 2009. The total property will be appraised at whatever stage of development as of the effective date of appraisal, December 31, 2009. All elements of a MARKET VALUE sale are to be present in terms of the price upon which a willing and well-informed seller and a willing and well-informed buyer would agree, in the absence of any unusual compulsion on either, and reasonable exposure on the open and competitive market. Reasonable exposure time in MARKET VALUE estimates precedes the specified date (effective date) of the appraisal. MARKET VALUE also assumes an open and competitive market of the property interest being appraised. The function of the appraisal is for loan analysis purposes.

The property rights being appraised are the Fee Simple Interest of all future benefits that may be derived from the property's present or possible use, except for easements and rights-of-way of record.

To develop this appraisal, Raymond L. Dozier, MAI has made a personal inspection of the subject property. In addition, he has reviewed sales of comparable properties, performed a highest and best use analysis and a land residual analysis and has weighed and compared the data to arrive at the estimated value of the subject property. The effective date of this appraisal is December 31, 2009.

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Dozier Appraisal Company

This report is subject to the enclosed Assumptions and Limiting Conditions, the Certification and the Scope of the Appraisal on Page 16. Otherwise there are no other extraordinary assumptions or hypothetical conditions regarding this appraisal. Also, this letter of transmittal is not the completed appraisal report but a statement of value conclusions. Users of this appraisal are encouraged to read the completed attached report to reach the appraiser's conclusions via the appraisal process.

The intention of this appraisal report is to comply fully with FIRREA appraisal guidelines, as well as the current Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation; the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. The departure provision shall not apply.

The undersigned does not have any personal interest, either present or contemplated, in the subject property and certifies that fees, received or to be received, for the employment of my services are not contingent on the opinions reported herein. In addition, the undersigned meets the Competency Provision Standard (1.1a,b, c) as required by USPAP and has the knowledge and experience to complete the assignment competently.

Therefore, based upon my investigation and analysis of the data gathered with respect to this assignment, I have formed the opinion that the "As Is" MARKET VALUE of the subject property, as of the effective date December 31, 2009, is measured in the amount of:

**\$5,886,000**


**(FIVE MILLION EIGHT HUNDRED EIGHTY SIX THOUSAND DOLLARS)**

Reasonable exposure time necessary to sell this property to a single purchaser prior to the date of this appraisal is estimated at 8 to 10 months.

Allocated:

\$2,371,650	223 Finished Lots (\$10,635/Finished Lot)
\$487,910	37.47 Acres (143 Paper Lots - \$3,412/Paper Lot - \$13,021/Acre)
\$509,250	40.39 Acres (89 Paper Lots - \$5,722/Paper Lot - \$12,608/Acre)
\$218,290	13.42 Acres (120 Paper Lots - \$1,819/Paper Lot - \$16,266/Acre)
<u>\$2,298,900</u>	24.81 Acres Commercial Land (\$2.19/SF - \$95,396/Acre)
\$5,886,000	Total

Respectfully submitted,  
DOZIER APPRAISAL COMPANY



Raymond L. Dozier, MAI  
State Certified General Real Estate Appraiser  
CA. Cert. No. AG004590  
RLD/09-123 LHP

DOZIER APPRAISAL COMPANY

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**CERTIFICATION**

I certify, that, to the best of my knowledge and belief . . .

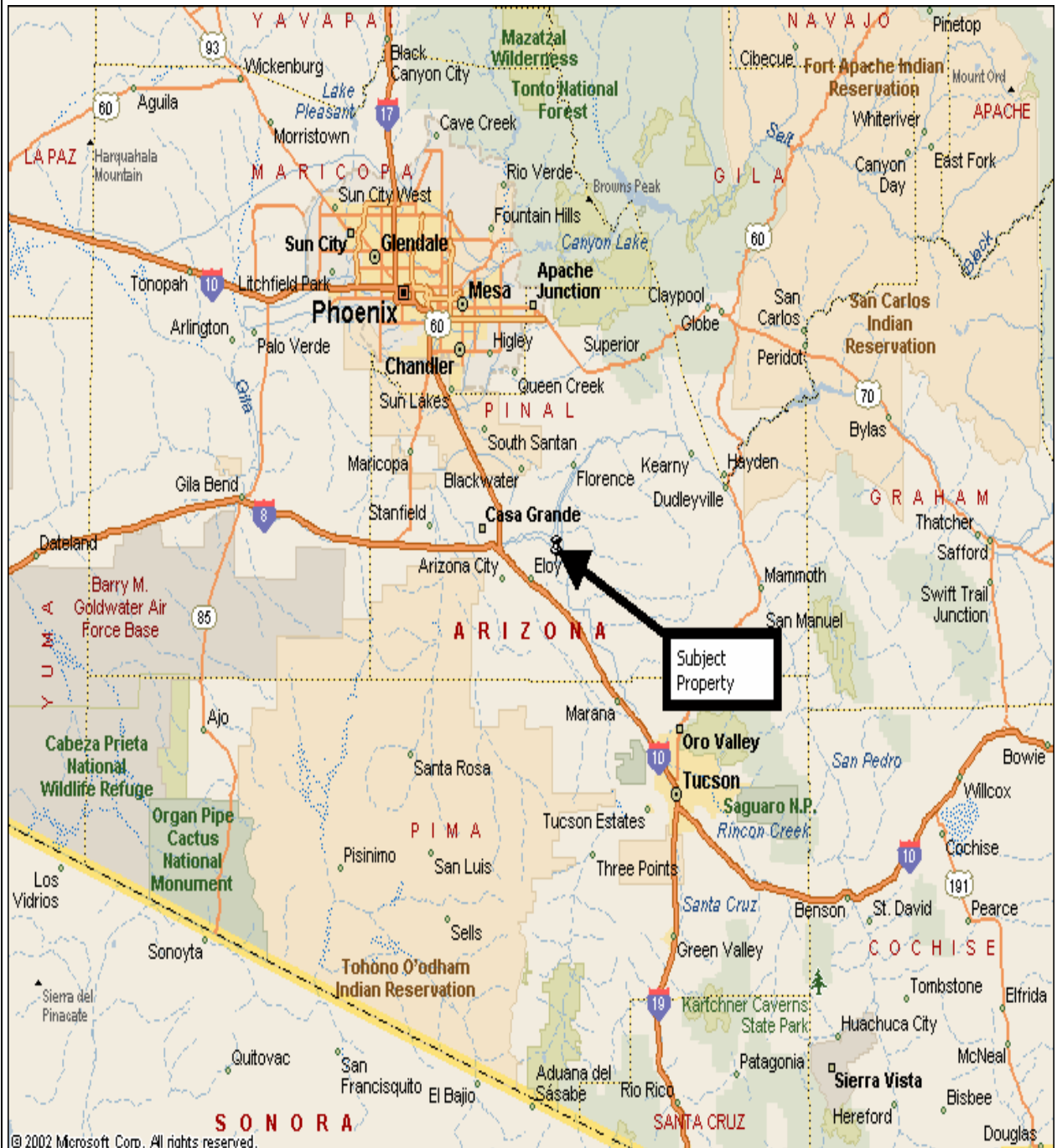
- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties Involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of stipulated result, or the occurrence of a subsequent event.
- My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- Ms. Lori Pabros, independent contractor, provided significant professional assistance to the person signing this report. Mr. Raymond L. Dozier, MAI, performed final analysis of market data in determining indication of value.
- The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- I certify that, to the best of my knowledge and belief, the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report I, Raymond L. Dozier, MAI, have completed the requirements of the continuing education program of the Appraisal Institute.



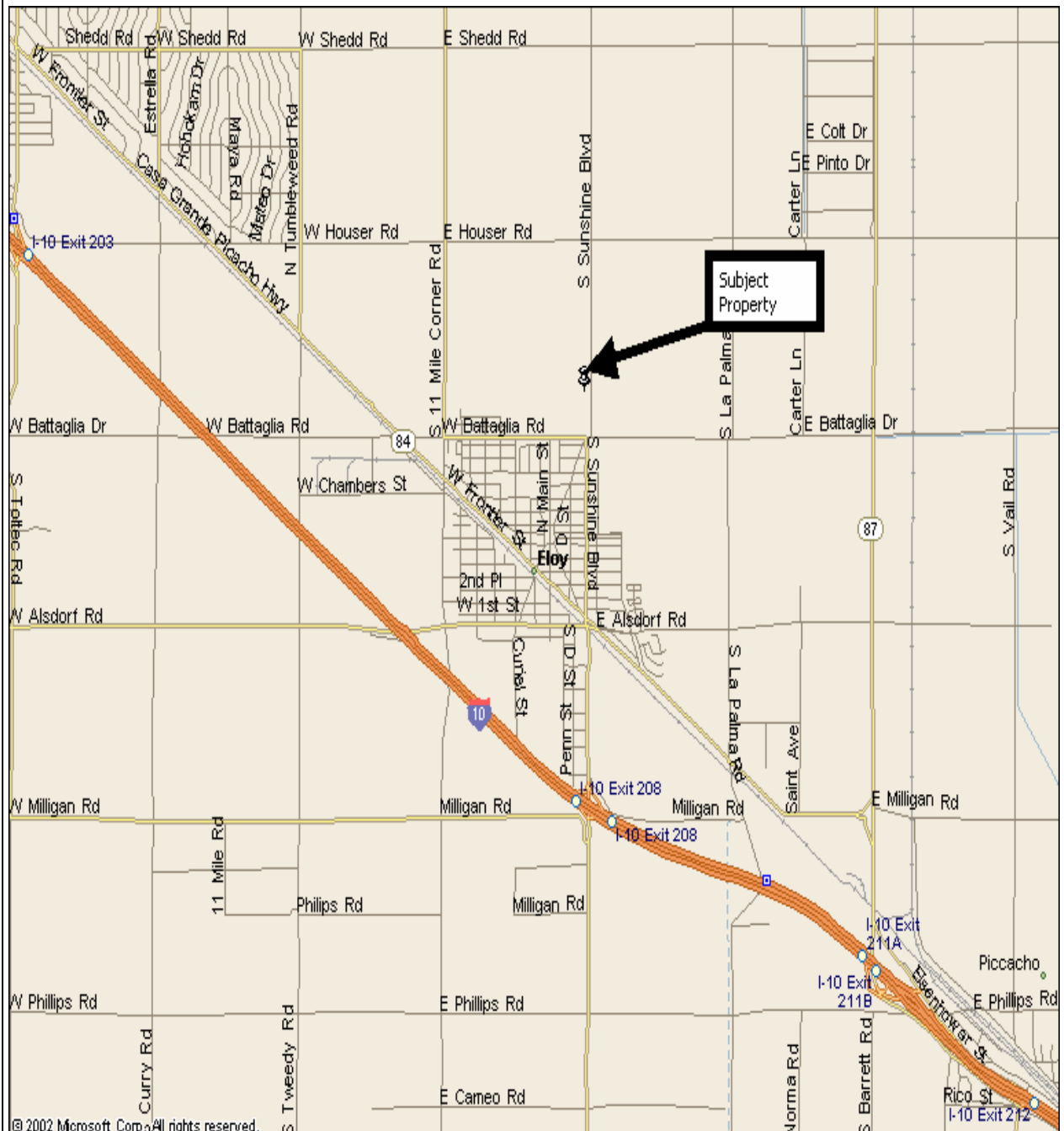
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Raymond L. Dozier MAI  
State Certified General Real Estate Appraiser  
AZ. Cert. No. 31701

## REGIONAL MAP



# NEIGHBORHOOD MAP





SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

# CONCEPTUAL PLAN



*Esperanza*

## PHASE I

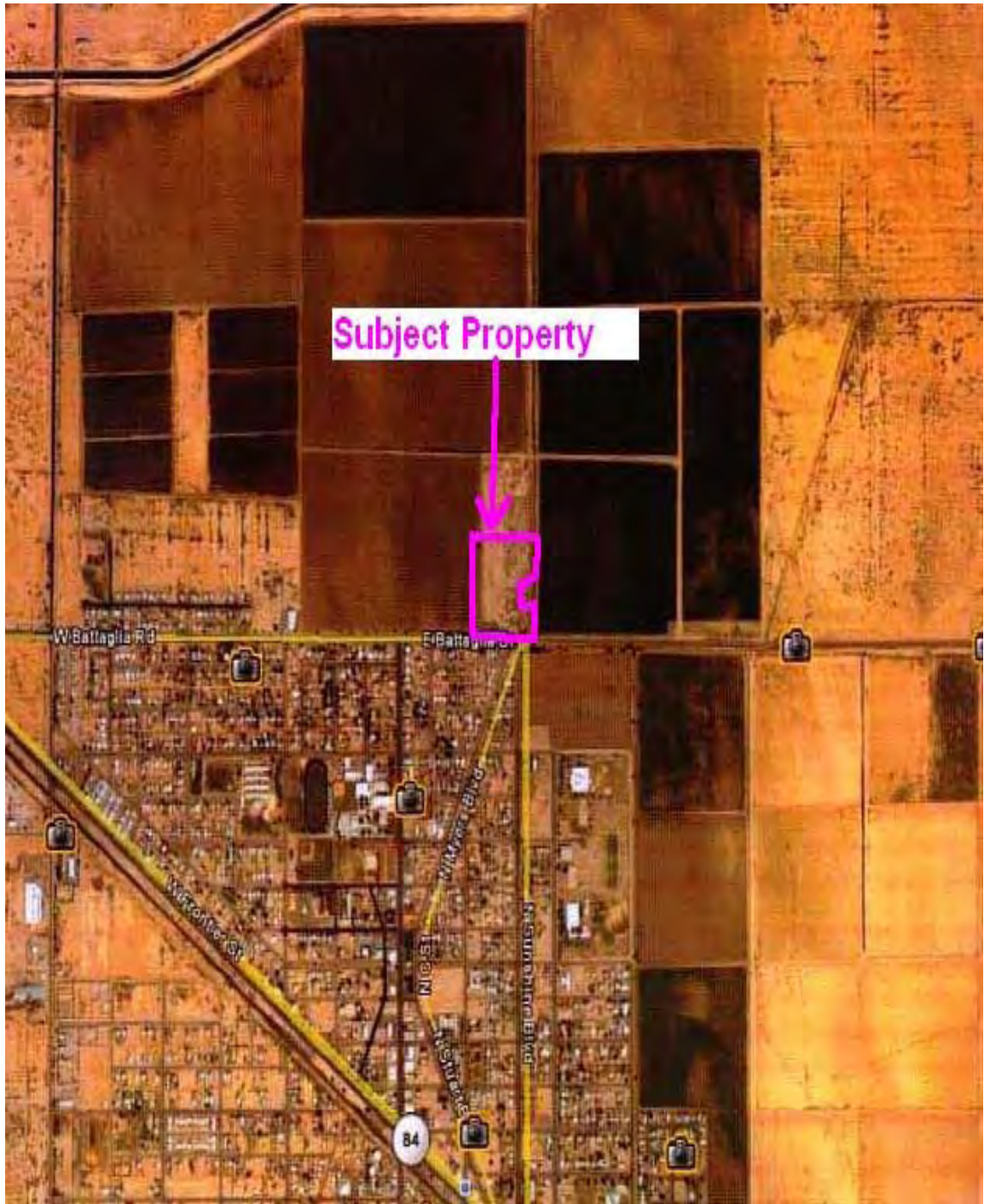


EXHIBIT 7

**SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS**

**AERIAL MAP**

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**SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS**

**SUBJECT PHOTOGRAPHS**



**West View of Subject's Street Frontage along Battaglia Drive**



**East View of Subject's Street Frontage along Battaglia Drive**

**SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS**

**SUBJECT PHOTOGRAPHS**



**North View of Finished Lots**



**Southwest View of Subject Commercial Land**



## SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

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<b>Property Type:</b>	Residential Finished Lots; 118.09 Acre Vacant Commercial & Residential Land
<b>Location:</b>	Battaglia Drive and Sunshine Road, Eloy, AZ 82351
<b>Identification:</b>	Pinal County Tax Assessor Parcel Number 401-53-004A
<b>Census Tract Number:</b>	0020.00
<b>Thomas Guide Map Page &amp; Grid:</b>	N/A
<b>Purpose of the Appraisal:</b>	The purpose of this appraisal is to estimate the "As Is" Market Value of 223 existing finished lots (bulk or wholesale) and 118.09 acres of vacant mixed use residential and commercial land if sold to a single purchaser as of the effective date December 31, 2009. The total property will be appraised at whatever stage of development as of the effective date of appraisal, December 31, 2009. All elements of a MARKET VALUE sale are to be present in terms of the price upon which a willing and well-informed seller and a willing and well-informed buyer would agree, in the absence of any unusual compulsion on either, and reasonable exposure on the open and competitive market. Reasonable exposure time in MARKET VALUE estimates precedes the specified date (effective date) of the appraisal. MARKET VALUE also assumes an open and competitive market of the property interest being appraised.
<b>Function of the Appraisal:</b>	The function of the appraisal is for loan analysis purposes.
<b>Scope of the Appraisal:</b>	Complete narrative format adhering to all FIRREA and USPAP Standards; Departure provisions shall not apply.
<b>Property Rights Appraised:</b>	The property rights being appraised are the Fee Simple Interest of all future benefits that may be derived from the property's present or possible use, except for easements, and rights-of-way of record.
<b>Street Frontage:</b>	Battaglia Drive
<b>Access:</b>	Battaglia Drive

## SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

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<b>Site Size:</b>	223 Finished Residencial Lots and 118.09 Acres mixed use comercial and residencial vacant land.
<b>Site Shape:</b>	Individual Lots Shapes vary; Commercial and Residencial Land are basically rectangular
<b>Visibility:</b>	Property has visibility along Battaglia Drive and the future Sunshine Road.
<b>Zoning Pinal County General Plan:</b>	Residential Medium Density/Commercial
<b>Unavailability of Information:</b>	Information vital to the appraiser in connection with this property was made available from various sources. The appraiser has not been provided a survey, exact boundary lines or acreage, a standard current title report, environment report, soil tests or other relevant data on the subject property. However, estimated costs from the developers have been provided and verified by appraiser from National Costing Services.
<b>Topography:</b>	Mostly Level
<b>Containment in Floodplain:</b>	The subject is located in area shown as Flood Zone X Panel 1595E; Community 040083 defined as follows: "Areas outside of 100 and 500 year flooding; December 4, 2007
<b>Current Improvements:</b>	Utilities and intracts to 223 finished lots.
<b>Blowsand Area:</b>	No
<b>Utilities:</b>	Sewer, electricity, telephone and gas appear to be available to the finished lots and available nearby the remaining 118.09 acres.
<b>Easements:</b>	The subject property is being appraised assuming that there are no easements or encroachments that negatively affect the value to the subject property.
<b>Off Sites:</b>	Battaglia Drive is a two lane paved road with no curbs or gutters along the subject's street frontage. Sunshine Road is a dirt road. The existing 223 finished lots have private residential street in place.
<b>Toxic Waste:</b>	This report assumes this parcel is not now, nor has ever been contaminated with any form of toxic waste or hazardous substance.

## SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

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### Adjacent Uses:

<b>North:</b>	Vacant Residential Land
<b>West:</b>	Vacant Residential Land
<b>South:</b>	Older Single Family Residences
<b>East:</b>	Vacant Residential Land

### Deductions and Discounts:

No deductions or discounts were made in the valuation of the property. Indicated Market Value has not been reduced by the cost of holding or selling the property.

### Highest and Best Use

- **Vacant Land**

It was determined that the highest and best use for the subject property is to hold for near term (2 to 3 years) development in phases of a mix of uses (i.e. Commercial and Residential Development).
- **“As Proposed” Vacant Land**

It was determined that the highest and best use for the subject property “as proposed” is to hold for near term (2 to 3 years) development of a mix of uses (i.e. Commercial & Residential Community) in Phases similar to concept proposed.

### Reasonable Exposure: (Prior)

8 to 10 months

### Marketing Time (After):

10 to 12 months

### Most Probable Purchaser:

Land Speculator (commercial portion and residential paper lots) or Merchant Builder for existing finished lots

## SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

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**Trend Analysis:**

• **Regional/City:**

The City of Eloy has favorable environmental, economic, social and governmental forces which will contribute to a continued demand for real estate in the area in the long run. This is primarily due to the relatively lower cost of housing compared to other areas in the Metropolitan Phoenix area. Recently, the market conditions in the area and across the country have taken a down turn. The following factors have had a negative effect on current market conditions:

- Sub Prime Mortgage lenders have tightened their qualifying requirements, making it very difficult to fund home buyers with less than perfect credit, causing slower absorption in the market.
- Retail activity has slowed in the last 12 months due to the lack of consumer confidence over higher fuel prices, slow real estate markets and job losses in the construction and real estate sectors.
- Mortgage money crunch causing limited funds for purchases of raw land and finished product.
- It is concluded that over the next 12 to 18 months, construction financing will continue to become difficult to obtain for residential developments that are economically feasible. Market demand for these properties should stabilize over the next 18 months with a balancing of supply and demand in the market expected in the next 24 to 30 months.

• **Neighborhood:**

The subject property is located northern area of the City of Eloy. The immediate area consists of vacant residential land. The subject has frontage along Battaglia Drive. The subject property is a favorable location for a mixed use development including commercial/retail and residential development when supply and demand become balanced. Demand for these properties should continue to decline for the next 6 to 12 months.



## SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

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- **Market Participant Future Predictions**

The appraiser's ongoing analysis of the market for these types of properties rejects overly optimistic as well as overly pessimistic predictions by market participants for this class of property. Consequently, somewhere between these two extremes lies the reasonable probability of moderate predictions becoming a reality. These moderate predictions are as follows:

- Current capital crisis will ease within 12 months, making access to capital more obtainable.
- The housing crisis is expected to bottom out the 1<sup>st</sup> Qtr of 2010 and recovering in 2012.
- Price points when housing recovers should obtain 2004 price point highs.
- Commercial Real Estate values are expected to be negatively impacted through 2009 due to the weakening CBMS market. (Commercial Backed Mortgage Securities).
- It was recently determined that the United States has been in a recession since the 4<sup>th</sup> quarter of 2007 and is expected to remain in a recession for the next 15 to 18 months.

**Personal Property, Fixtures, and Intangible Items:**

This report does not include any personal property, fixtures or intangible items.

## SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

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**I. INDIVIDUAL VALUE RESULTS  
(IF EACH PROPERTY SOLD TO  
INDIVIDUAL PURCHASERS):**

• “As Is” Bulk or Wholesale Market Value of 223 Finished Lots (DCF)	\$2,445,000 (\$10,964/Finished Lot)
• Reconciled “As Is” Bulk or Wholesale Market Value of 223 Finished Lots	\$2,445,000 (\$10,964/Finished Lot)
<hr/>	
• “As Is” Market Value of 37.47 Acres Residential Land (Sales Comparison Approach)	\$504,000 (\$13,450/Acre - \$3,524/Paper Lot)
• “As Is” Market Value of 37.47 Acres Residential Land (Land Residual DCF)	\$502,000 (\$12,719/Acre - \$3,510/Paper Lot)
1. Cost of Production (Bulk or Wholes Sale)	\$3,024,000 (As of 12/31/09)
2. Prospective Cost of Production as of 12/31/12	\$3,111,000 (Prospective as of 12/31/12)
3. Aggregate Retail	\$6,083,000 (Prospective as of 12/31/12)
4. Bulk or Wholesale (DCF)	\$2,106,000 (As of 12/31/09)
5. Bulk or Wholesale (DCF)	\$3,832,000 (Prospective as of 12/31/12)*
• Reconciled “As Is” Market Value of 37.47 Acres Residential Land	\$503,000 (\$13,474/Acre - \$3,517/Paper Lot)
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• “As Is” Market Value of 40.39 Acres Residential Land (Sales Comparison Approach)	\$503,000 (\$12,454/Acre - \$5,651/Paper Lot)
• “As Is” Market Value of 40.39 Acres Residential Land (Land Residual DCF)	\$528,000 (\$13,073/Acre - \$5,933/Paper Lot)
1. Cost of Production (Bulk or Wholes Sale)	\$2,132,000 (As of 12/31/09)
2. Prospective Cost of Production as of 12/31/12	\$2,772,000 (Prospective as of 12/31/12)
3. Aggregate Retail	\$2,772,000 (Prospective as of 12/31/12)
4. Bulk or Wholesale (DCF)	\$3,201,000 (Prospective as of 12/31/12)

DOZIER APPRAISAL COMPANY

**SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS**


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<b>4. Bulk or Wholesale (DCF)</b>	<b>\$1,648,000 (As of 12/31/12)</b>
<b>5. Prospective Bulk or Wholesale (DCF) As of 12/31/12</b>	<b>\$2,782,000 (Prospective as of 12/31/12)</b>
<b>•Reconciled “As Is” Market Value of 40.39 Acres Residential Land</b>	<b>\$525,000 (\$12,998/Acre - \$5,899/Paper Lot)</b>
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<b>•“As Is” Market Value of 13.42 Acres Residential Land (Sales Comparison Approach)</b>	<b>\$213,000 (\$15,850/Acre - \$1,775/Paper Lot)</b>
<b>•“As Is” Market Value of 13.42 Acres Residential Land (Land Residual DCF)</b>	<b>\$291,000 (\$21,684/Acre - \$2,425/Paper Lot)</b>
<b>1. Cost Approach (Bulk or Wholes Sale)</b>	<b>\$2,324,000 (As of 12/31/09)</b>
<b>2. Prospective Cost of Production as of 12/31/12</b>	<b>\$2,361,000 (Prospective as of 12/31/12)</b>
<b>3. Aggregate Retail</b>	<b>\$4,216,000 (Prospective as of 12/31/12)</b>
<b>4. Bulk or Wholesale (DCF)</b>	<b>\$1,588,000 (As of 12/31/12)</b>
<b>5. Bulk or Wholesale (DCF)</b>	<b>\$2,841,000 (Prospective 12/31/12)*</b>
<b>• Reconciled “As Is” Market Value of 13.42 Acres Residential Land</b>	<b>\$225,000 (\$16,766/Acre - \$1,875/Paper Lot)</b>

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**SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS**


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• “As Is” Market Value of 24.81 Acres Commercial Land (Sales Comparison Approach)	\$2,367,000 (\$2.19/SF - \$95,396/Acre)
• “As Is” Market Value of 24.81 Acres Commercial Land (Land Residual DCF)	\$2,398,000 (2.22/Sf - \$96,655/Acre)
1. Cost of Production (Bulk or Wholes Sale)	\$3,814,000 (As of 12/31/09)
2. Prospective Cost of Production As of 12/31/12	\$4,224,000 (Prospective as of 12/31/12)
3. Aggregate Retail	\$7,616,000 (Prospective as of 12/31/12)
4. Bulk or Wholesale (DCF)	\$3,314,000 (As of 12/31/12)
5. Bulk or Wholesale (DCF) (Prospective as of 12/31/12)	\$5,275,000 (\$4.88/SF - \$1,055,000/Super Pad)
• Reconciled “As Is” Market Value of 24.81 Acres Commercial Land	\$2,370,000 (\$2.198/SF - \$95,396/Acre)

**II . RECONCILED “As Is”  
MARKET VALUE (ALL PORTIONS  
SOLD TO ONE BUYER)**

• “As Is” Market Value	\$5,886,000 (As of 12/31/09)
Allocated:	
• 223 Finished Lots	\$ 2,371,650 (\$10,635/Finished Lot)
• 37.47 Acres (143 Paper Lots)	\$ 487,910 (\$13,021/Acre - \$3,412/Paper Lot)
• 40.39 Acres (89 Paper Lots)	\$ 509,250 (\$12,608/Acre - \$5,722/Paper Lot)
• 13.42 Acres (120 Paper Lots)	\$ 218,290 (\$16,266/Acre - \$1,819/Paper Lot)
• 24.81 Acres Commercial Land	<u>\$ 2,298,900 (\$2.13/SF)</u>
• Total	\$ 5,886,000

**Date of Last Inspection:** December 31, 2009

**Effective date of  
Value Estimate:** December 31, 2009

**Date of Report:** February 20, 2009

## **PART TWO – FACTUAL DATA**

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### **PURPOSE OF THE APPRAISAL**

The purpose of this appraisal is to estimate the “As Is” Market Value of 223 existing finished lots (bulk or wholesale) and 118.09 acres of vacant mixed use residential and commercial land if sold to a single purchaser as of the effective date December 31, 2009. The total property will be appraised at whatever stage of development as of the effective date of appraisal, December 31, 2009. All elements of a MARKET VALUE sale are to be present in terms of the price upon which a willing and well-informed seller and a willing and well-informed buyer would agree, in the absence of any unusual compulsion on either, and reasonable exposure on the open and competitive market. Reasonable exposure time in MARKET VALUE estimates precedes the specified date (effective date) of the appraisal. MARKET VALUE also assumes an open and competitive market of the property interest being appraised.

### **THE FUNCTION OF THE APPRAISAL**

The function of the appraisal is for loan analysis purposes.

### **THE SCOPE AND EXTENT OF THE DATA COLLECTION PROCESS**

The following steps were made in arriving at the final estimate of value in the appraisal report:

1. A preliminary search of available resources was made to determine market trends, influences, and other significant factors pertinent to the subject property.
2. A physical inspection of the property was performed. Although due diligence was exercised while at the property, the appraiser is not an expert in such matters as accident or tragic issues; crime issues; legal issues; suit or claim issues; government issues; land use issues; nuisance issues; building issues; repair issues; soil issues; geo-technical issues; hazardous issues; contamination issues; environmental agency issues; natural resource issues; historic or cultural issues; natural hazard issues; and all issues to those known – past, present or proposed. No warranty is given as to these elements. As needed, inspections by various professionals within these fields might be recommended, with the final estimate of value subject to their findings.
3. Research and collection of data from the subject’s competing market area are sufficient in quantity to express an opinion of value as defined herein. Relevant data is contained in this report.

An analysis of the data was completed by applying customary appraisal techniques and following the USPAP standards. The report will be a complete appraisal summary report and will be expected to lead the reader to the same value conclusion as suggested by the appraiser.

### **DATE OF VALUE ESTIMATE**

Site was inspected December 31, 2009 with this date being the effective date of the appraisal. The date of this report is February 20, 2009.

## PART TWO – FACTUAL DATA

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### IDENTIFICATION OF PROPERTY RIGHTS APPRAISED

The property rights being appraised are the Fee Simple Interest of all future benefits that may be derived from the property's present or possible use, except for easements, and rights-of-way of record.

### DEFINITIONS OF VALUE AND PROPERTY RIGHTS

“MARKET VALUE” means: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeable and assuming the price is not affected by undue stimulus.<sup>1</sup> Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated
- Both parties are well informed or well advised, and each acting in what he considers his own best interest
- A reasonable time is allowed for exposure in the open market
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

MARKET VALUE is based on the concept of an open and competitive market in which typical transactions are free of the aspects of duress or forced liquidation.

The REASONABLE EXPOSURE TIME inherent in the MARKET VALUE concept is always presumed to occur PRIOR to the effective date of the appraisal.

The REASONABLE MARKETING PERIOD is an estimate of the amount of time it might take to sell a property interest in the real estate at the estimated market value level during the period IMMEDIATELY AFTER the effective date of the appraisal.

To estimate “Market Value” during a period of very limited market activity is extremely difficult and challenging. The key to the property analysis of sales transactions in comparison to the subject is for circumstances to parallel the definition of MARKET VALUE. To the extent that any of the conditions of a sale differ substantially from the elements in the definition, without appropriate adjustment, the transaction fails as evidence of MARKET VALUE.

During some periods of distressed market conditions, MARKET VALUE may imply a price at which a transaction will not occur until such time as conditions in the market match the definition of MARKET VALUE.

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<sup>1</sup> (Title XI, FIRREA, 34.42 f)

## PART TWO – FACTUAL DATA

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### DEFINITIONS OF VALUE AND PROPERTY RIGHTS (continued)

The term “FEE SIMPLE ESTATE” means: Absolute ownership unencumbered by any other interest or estate subject only to the four powers of government.<sup>2</sup>

The term “LEASED FEE ESTATE” means: A Leased Fee Estate is an ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; the rights of lessor (the leased fee owner) and the lessee (leaseholder) are specified by contract terms contained within the lease.<sup>3</sup>

MARKET VALUE December 31, 2009 means: “An estimate of market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of inspection. When an December 31, 2009 valuation premise is used, the property is valued as of a specified date, assuming the property is in **precisely** the condition or status it actually was (is) in on the effective date of value. This condition must be accurately described in the appraisal report.<sup>4</sup>

MARKET VALUE is based on the concept of an **open and competitive market** in which typical transactions are free of the aspects of duress or forced liquidation.

MARKET VALUE “as if complete” on the appraisal date means the market value of a property with all proposed construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions, as of the date of the appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property “as if complete and prepared for occupancy by tenants” The as if complete premise assumes that all assumptions are in place as of the date of value.

PARCEL is a mass graded pad which was created in order to create earthwork balances within future subdivision parcels. It would require additional grading and in-tract development prior to building vertical construction, and may require additional mapping and may even require additional entitlements.

BLUE TOP PAD is a lot or a pad which has been graded and certified and is ready for construction. No additional grading is required to construct the building. Streets and utilities are not necessarily constructed.

FULLY ENTITLED Approval of a final map or a parcel map does not in itself confer a vested right to develop. *Avco Community Developers, Inc. v. South Coast Reg’l Comm’n*, 17 Cal 3d785,739-94 (1976); *Oceanic Cal., Inc. v. North Cent.Coastal Reg’l Comm’n*, 63 Cal.App. 3d 57, 72-73 (1976); *Consaul v. City of Sand Diego*, 6 Cal. App. 4<sup>th</sup> 1781, 1793 (1992). Zoning can still be changed, or other police ordinances can be adopted, after even final maps, conditional use permits, PUDs, zoning, rezoning, grading or other permits have been granted. There is no vested right to develop until actual building or other permits for identifiable builds have been issued, and substantial work has been done thereafter in reliance on those permits.

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<sup>2</sup> Title XI, FIRREA, 34.42 {f}

<sup>3</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, Appraisal Institute, Page 83

<sup>4</sup> Appraisal Policies and Practices of Insured Institutions and Service Corporatons, Federal Home Loan Bank Board, “Final Rule”, 12 CFR Parts 563 and 571, Dec. 21, 1987

**PART TWO – FACTUAL DATA**

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**LEGAL DESCRIPTION AND IDENTIFICATION OF PROPERTY**

**Reference:** APN # 401-53-004A

**Common Address:** Battaglia Drive and Sunshine Blvd.

**Legal Description:** SEE ADDENDUM

**Current Ownership:** Shenandoah Springs Village

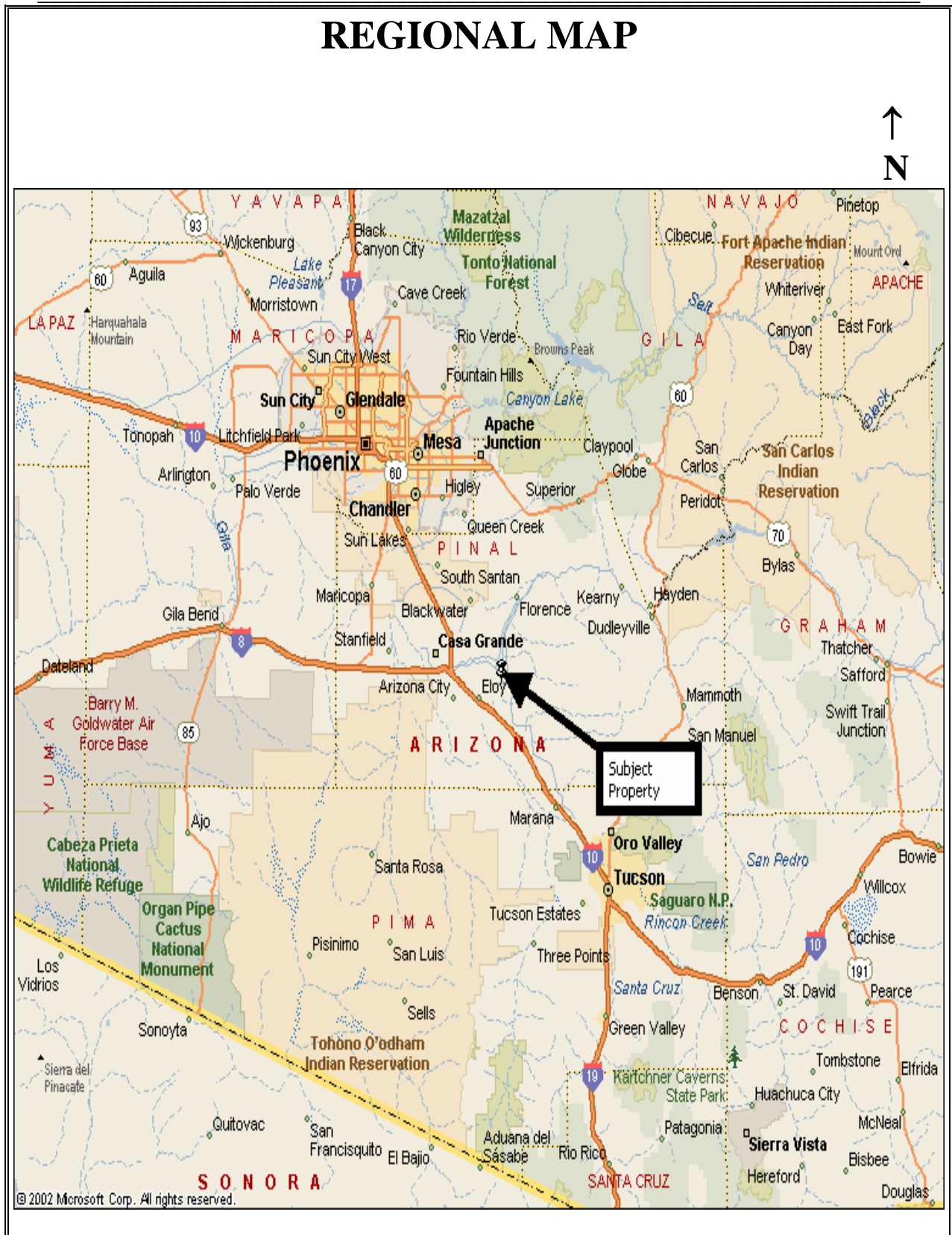
**Condition of Title:** No assessment of the condition of the title has been made by the appraiser; but as outlined in the Assumptions and Limiting Conditions, which are part of this report, the property is appraised as if free and clear of any liens and encumbrances.

**HISTORY OF THE SUBJECT PROPERTY**

- The subject property is a 163.73 acre portion (Phase I) of the proposed Esperanza Development was purchased in June 2005 for \$3,000,000 or \$18,323 per acre as vacant raw land with no improvements.
- As of the effective date of appraisal of December 31, 2009 the subject property's 45.64 acre portion of residential land has been improved with 223 finished residential lots ready for vertical construction with utilities and in tracts in place.
- Later in the appraisal the reader will note that the "as is" market value of the subject property as of the effective date of December 31, 2009 was estimated at \$5,886,000. The difference between the June 2005 purchase price of \$3,000,000 and the "as is" appraised value of \$5,886,000 is due to the following:
  1. Constructing 223 finished lots on the subject property.



PART TWO – FACTUAL DATA



**PART TWO – FACTUAL DATA – (Continued)**

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**Regional, City, Neighborhood Overview**

The subject property is located approximately 50 miles southeast of Phoenix, Mesa metropolitan area. Approximately 20 percent of the state population resides within Pinal County area. Transportation into the area is accommodated by US Highway 84, Interstate 8 and Interstate 10.

To estimate value, an interpretation of how the market views the subject property is analyzed. The scope of the investigation is not limited to static, current conditions. Rather, I have examined trends in the forces that influence value to determine the direction, speed, duration, strength, and limits of these trends.

**A. SOCIAL**

Social influences are reflected in the demographic composition of the population base, community preferences, socio-economic issues, availability of cultural and recreation amenities, and the impacts of anticipated change. The U.S. Census Bureau estimated the population of Eloy to be approximately 10,000.

**B. ECONOMIC**

The economic climate of Pinal County will be analyzed as to the fundamental relationship between current and anticipated supply and demand for property types similar to the subject.

**Demand-side economic components include the following:**

a. ECONOMIC BASE OF THE REGION AND COMMUNITY:

Pinal County has five main industries that supply the region with cash from outside the state. The industries include construction, manufacturing, trade, transportation and utilities, financial services, professional and business services and government.

b. EMPLOYMENT AND UNEMPLOYMENT ACTIVITY AND REGIONAL SOURCES:

In years past, the unemployment rate has been less than the national average. Due to current national economic conditions, the unemployment rate is expected to increase over the next year.

**Demand-side economic components include the following:**

a. COST AND AVAILABILITY OF MORTGAGE CREDIT:

Interest rates currently vary from 4.5% to 8.0% variable and fixed, 25-year amortization with 5 - 20 year due dates. Interest rates vary with the viability of the borrower and the project. And mortgage credit is difficult to obtain in the current economic climate.

**Supply-side economic components include the following:**

a. STOCK OF AVAILABLE LAND

Currently there is more supply than demand for vacant commercial and residential land in the current market.

**PART TWO – FACTUAL DATA – (Continued)**

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b. NEW DEVELOPMENTS UNDER CONSTRUCTION OR BEING PLANNED:

Robson Ranch is the only new development within the subject's district.

**C. GOVERNMENTAL:**

**1. Public services; fire and police protection, utilities, refuse collection, and transportation networks:**

Services in Eloy and Pinal County are considered adequate when compared to other counties.

**2. Local zoning and building codes:**

Each incorporated city has its own master plan and particular zoning regulations. In addition, portions of the area not within the incorporated area are subject to county zoning. Generally, county zoning regulations are less stringent than the city zoning in the area.

**3. National, state and local fiscal policy:**

With current volatility in the housing market nationally, the Federal Reserve Board has reduced the interest rates eleven times over the last eleven months to try and ease the "credit crunch" in the housing market. This current financial imbalance has recently shifted to the commercial market as well as the housing mortgage market. The local economy has slowed in growth along with the rest of the nation. The market for single family housing has dropped dramatically, and the forecasts are for continued decline in the residential and commercial market over the next 18 to 24 months.

**C. ENVIRONMENTAL:**

Both natural and man-made environmental forces influence real property values.

**Climatic conditions:**

The subject area has relatively mild winter and spring seasons, with summer and fall seasons typically warmer than other states.

**Topography and soil:**

The area is mostly level with mountainous rock formations peaking to approximately 2,000 feet. Soil conditions are adequately stable.

**Natural barriers to future developments:**

The mountain ranges located to the northwest of the subject area are the main barriers for future development. Other barriers that would inhibit development would be the natural preserves designated for wild life.

**PART TWO – FACTUAL DATA – (Continued)**

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**Primary transportation systems-state and federal highways, railroads and airports:**

- a. RAIL – Southern Pacific Railroad
- b. TRUCK – Numerous local trucking companies.
- c. OVERNIGHT DELIVERY – UPS, Federal Express, U.S. Postal Service and other carriers
- d. AIR – Eloy Municipal Airport.
- e. BUS – Pinal County; Greyhound provides national connections.
- f. HIGHWAYS – Interstate 8, Interstate 10, US 84.

**Nature and desirability of the immediate area surrounding a property:**

The spectacular mountain ranges and mild winter climates attract retirees and seasonal visitors to the area.

**E. CONCLUSION:**

The City of Eloy has favorable environmental, economic, social and governmental forces which will contribute to a continued demand for real estate in the area in the long run. This is primarily due to the relatively lower cost of housing compared to other areas in the Metropolitan Phoenix area. Recently, the market conditions in the area and across the country have taken a down turn. The following factors have had a negative effect on current market conditions:

- Sub Prime Mortgage lenders have tightened their qualifying requirements, making it very difficult to fund home buyers with less than perfect credit, causing slower absorption in the market.
- Retail activity has slowed in the last 12 months due to the lack of consumer confidence over higher fuel prices, slow real estate markets and job losses in the construction and real estate sectors.
- Mortgage money crunch causing limited funds for purchases of raw land and finished product.
- It is concluded that over the next 12 to 18 months, construction financing will continue to become difficult to obtain for residential developments that are economically feasible. Market demand for these properties should stabilize over the next 18 months with a balancing of supply and demand in the market expected in the next 24 to 30 months.

**PART TWO – FACTUAL DATA – (Continued)**

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**The Desert Sun      Nov.25, 2009**

**New US home sales rise 6.2 percent**

ALAN ZIBEL • The Associated Press • November 25, 2009

Sales of new homes rose last month to the highest level in more than a year as strong activity in the South offset weakness in the rest of the country.

The Commerce Department said Wednesday that sales rose 6.2 percent to a seasonally adjusted annual rate of 430,000 from an upwardly revised 405,000 in September.

Economists surveyed by Thomson Reuters had expected a pace of 410,000.

There were 239,000 new homes for sale at the end of October, the lowest inventory level in nearly four decades. At the current sales pace, that's a 6.7 months of supply, down from last winter's peak of more than a year.

"If you're looking for a sign that builders will need to start swinging their hammers again soon, this is it," wrote Mike Larson, real estate analyst at Weiss Research.

The report tallies signed contracts to buy homes, rather than completed sales. Home shoppers in October were acting before lawmakers decided to extend a tax credit for first-time buyers and expand it to some existing homeowners. The credit now covers contracts signed by April 30, and analysts expect it to further the housing recovery in the coming months.

"It's all thanks to the government," said Jennifer Lee, an economist at BMO Capital Markets. Sales are up 31 percent from the bottom in January, but down 69 percent from their peak in July 2005.

The surge in sales was driven entirely by a 23 percent increase in the South. Sales fell about 5 percent in the West and Northeast, and fell 20 percent in the Midwest.

Despite the lack of certainty about the tax credit that buyers faced in October, sales were up 5.1 percent from a year ago, the first yearly increase since November 2005.

The median sales price of \$212,200 was almost even with \$213,200 a year earlier, but up almost 1 percent from September's level of \$210,700.

Last month, Ryder Homes of Nevada Inc. resumed construction on houses at two of its communities around Reno. "We're finding people aren't coming in willing to wait six months," said Rob Dunbar, Ryder's land development manager.

The resale market is also strong. the National Association of Realtors said Monday home resales rose 10 percent from September to October, the biggest monthly increase in a decade. Along with the tax credit, buyers are being attracted by low prices and mortgage rates.

The average interest rate for a 30-year fixed mortgage was 4.78 percent this week, matching a record low set at the end of April, Freddie Mac said Wednesday.

AP Real Estate Writer Alex Veiga contributed to this report.



## PART TWO – FACTUAL DATA – (Continued)

Page 1 of 3



Print Close[x]

## How Commercial Real Estate Could Trigger a Double-Dip

CHARLES HUGH SMITH

Posted 2:00 PM 12/31/09 | Economy, Morgan Stanley, Real Estate

Reports that commercial real estate (CRE) is suffering from a double whammy of soaring vacancies and declining valuations have been making news recently with sobering regularity. *DailyFinance* addressed the risks that [CRE meltdowns pose to banks](#) in early December. And in a stunning confirmation, just weeks later Morgan Stanley announced it was "walking away" from five San Francisco [office towers](#), giving them back to the lenders. These accounts address the impacts on real estate investors, banks and [hard-hit locales such as Southern California](#). But a bigger, often-overlooked, risk is the potential for CRE to remain a drag on the U.S. economy for years to come, or its potential to trigger a slide back into recession -- the so-called double dip that many fear.



Getty Images

Four primary factors are behind the tumble in CRE prices -- and they're eerily similar to those that powered the residential housing boom and bust:

&lt;script type="text

- Overbuilding in marginal locales that lacked adequate jobs and services to support massive new commercial construction (malls, hotels, business parks, resorts, etc.)
- Excessive valuations fueled by low interest rates and easy credit
- Highly leveraged bets on future appreciation
- A banking sector that's extremely vulnerable to write-downs and losses from foreclosures

How much have prices tumbled? According to Moody's/REAL Commercial Property Price Index, [CRE prices have plummeted 41% from the peak in 2007](#). Or in many cases, even more. For example, a hotel in Hawaii that sold for \$250 million with a \$230 million mortgage a few years ago is [now only worth about half that amount](#).

<http://www.dailyfinance.com/story/how-commercial-real-estate-could-trigger-a-double-dip...> 1/13/2010

**PART TWO – FACTUAL DATA – (Continued)**

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Page 2 of 3

**It Starts With the Banks**

In a recent research report, Deutsche Bank analysts [expect 75% of current CRE loans won't qualify for refinancing](#). With more than [\\$2 trillion in CRE debt maturing from now until 2013](#), that suggests \$1.5 trillion cannot be "rolled over" into new loans. Part of this crunch stems from the fact that commercial property loans are typically shorter-term than residential mortgages; most common are terms of five to seven years.

Of course, speculators aren't the only ones who are losing big. The banks that provided the mortgages are in trouble, too -- and that's where the problems in CRE can start weighing down the entire U.S. economy.

Over the next few years, the Deutsche Bank analysts estimate CRE losses to lenders of \$200 billion to \$300 billion. With banks already reeling from losses stemming from U.S. residential real estate's [30% decline from its 2006 peak](#) of \$20 trillion (a value set by Federal Reserve data), the analysts believe that "hundreds of banks, mainly smaller community and regional banks, are likely fail." These losses [will hit vulnerable regional banks especially hard](#) because they loaded up on commercial loans in recent years.

**Don't Bet on Another Bailout**

Will the banking sector once again require taxpayer bailouts as these huge losses start draining regional banks' reserves, pushing them toward insolvency? It's unlikely the public will support another TARP-type rescue. It's perhaps even more unlikely that politicians will risk their careers in an election year by supporting yet another massive bailout of lenders that knew -- or should have known -- the risks inherent in highly leveraged CRE loans.

What will happen as banks absorb billions of dollars in new losses, thanks to the meltdown of CRE? They'll have much less money to lend to other borrowers. And that contraction of credit in a fragile economy could trigger a double-dip recession. Anyone believing that banks are "on the road to recovery" hasn't factored in the hundreds of billions of dollars in CRE losses forecast by industry analysts.

Property values are another problem. In that area, CRE faces significant structural headwinds to a recovery. Perhaps the single most important one is the contraction of the consumer economy that supported seemingly endless expansion of malls and other retail space. [Consumers' net worth has fallen by about \\$12 trillion](#), their incomes are either flat or declining, taxes are rising across the board (income, sales, property, etc.) and baby boomers face the generational task of saving far more for their retirement than seemed

<http://www.dailyfinance.com/story/how-commercial-real-estate-could-trigger-a-double-dip...> 1/13/2010

**PART TWO – FACTUAL DATA – (Continued)**

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Page 3 of 3

necessary at the top of the housing bubble.

That boils down to less money available to spend on discretionary goods and services, and hence less demand for retail space and for resorts and hotels.

**Cyberspace Means Less Commercial Space**

The steady growth of Internet shopping also saps the demand for bricks-and-mortar retail space. Web-based shopping has already reordered the bookselling industry and is well on the way to permanently reducing demand for other retail outlets.

Beyond retailing, the Net is also transforming demand for office space, as increasing numbers of knowledge workers telecommute from home, cafés or other decentralized locations. That means less need for office cubicles -- and for conference rooms, considering that teleconferencing and other Web-based communications are eroding the old model of business travel and meetings. This also means less demand for business-related hospitality services, such as hotels and restaurants.

Add these structural headwinds to the unavoidable heavy losses and write-downs facing CRE lenders, and you get a recipe for a major drag on lending, banking profits, property taxes, employment, construction and all the other sectors of the economy.

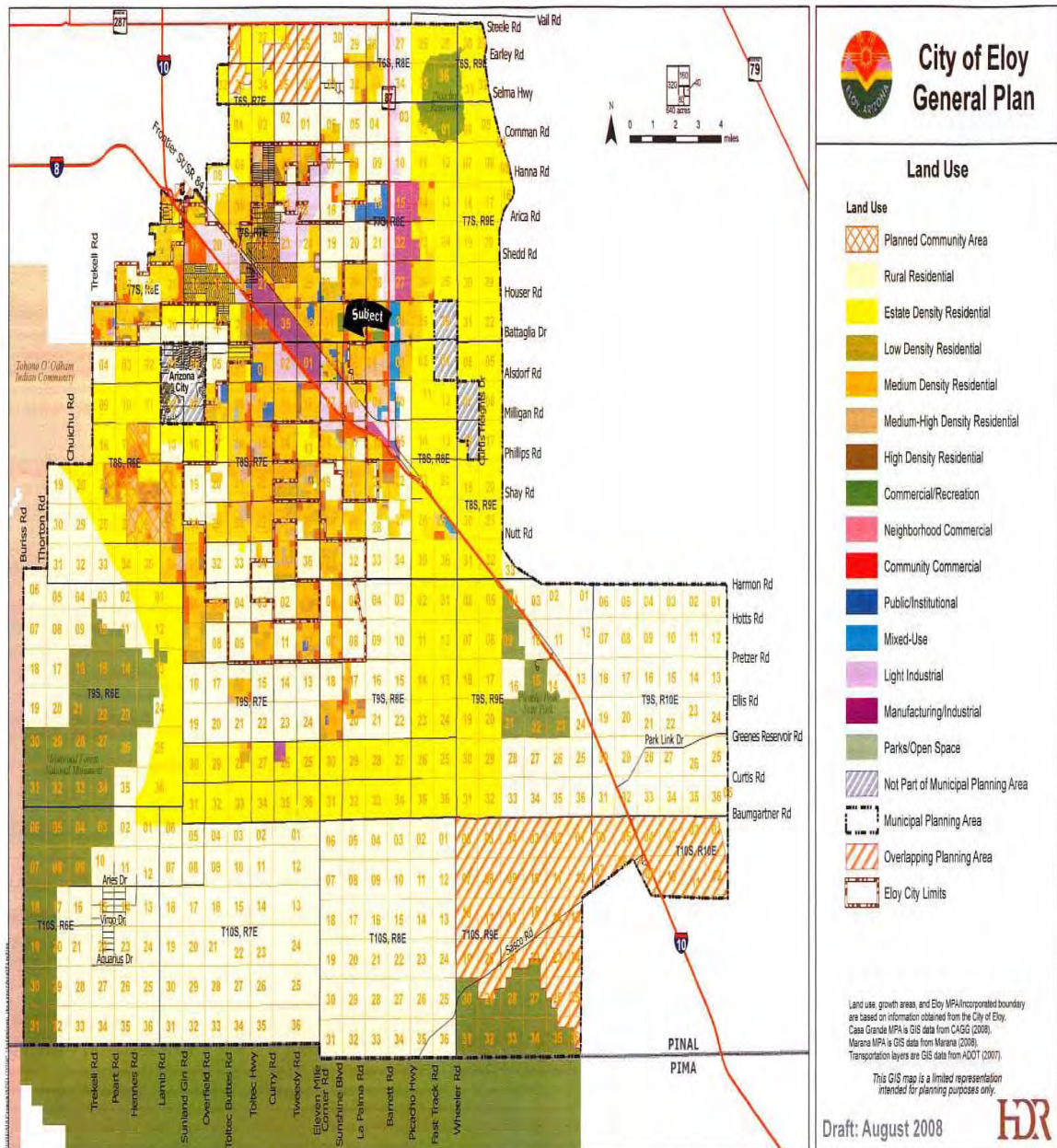
Whether these forces will tip the U.S. into a double-dip recession depends on many other factors, but they certainly have the potential to add to the contraction of credit that's bedeviling wide swaths of the economy. And we all know what happens when credit disappears.

<http://www.dailyfinance.com/story/how-commercial-real-estate-could-trigger-a-double-dip...> 1/13/2010



## PART TWO – FACTUAL DATA – (Continued)

## ZONING MAP



**PART TWO - FACTUAL DATA** (continued)

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**ZONING**

The property is located in the incorporated City of Eloy, Pinal County, Arizona. Current general plan land use designation is medium density residential and commercial uses.

**TAX AND ASSESSMENT DATA AND ANALYSIS****ESTIMATED 2008-2009 PROPERTY TAX AT APPRAISED VALUE**

Estimated Value	\$5,886,000
X Tax Rate/100	1.11687
Assessed Taxes	\$65,739
Special Assessments	Included
<b>TOTAL ESTIMATED PROPERTY TAXES</b>	<b>\$65,739</b>

The tax rate for 2008-2009 fiscal year is considered typical for comparable locations throughout the subject district and Pinal County.

PART TWO - FACTUAL DATA (continued)

# CONCEPTUAL PLAN



*Esperanza*

## PHASE I



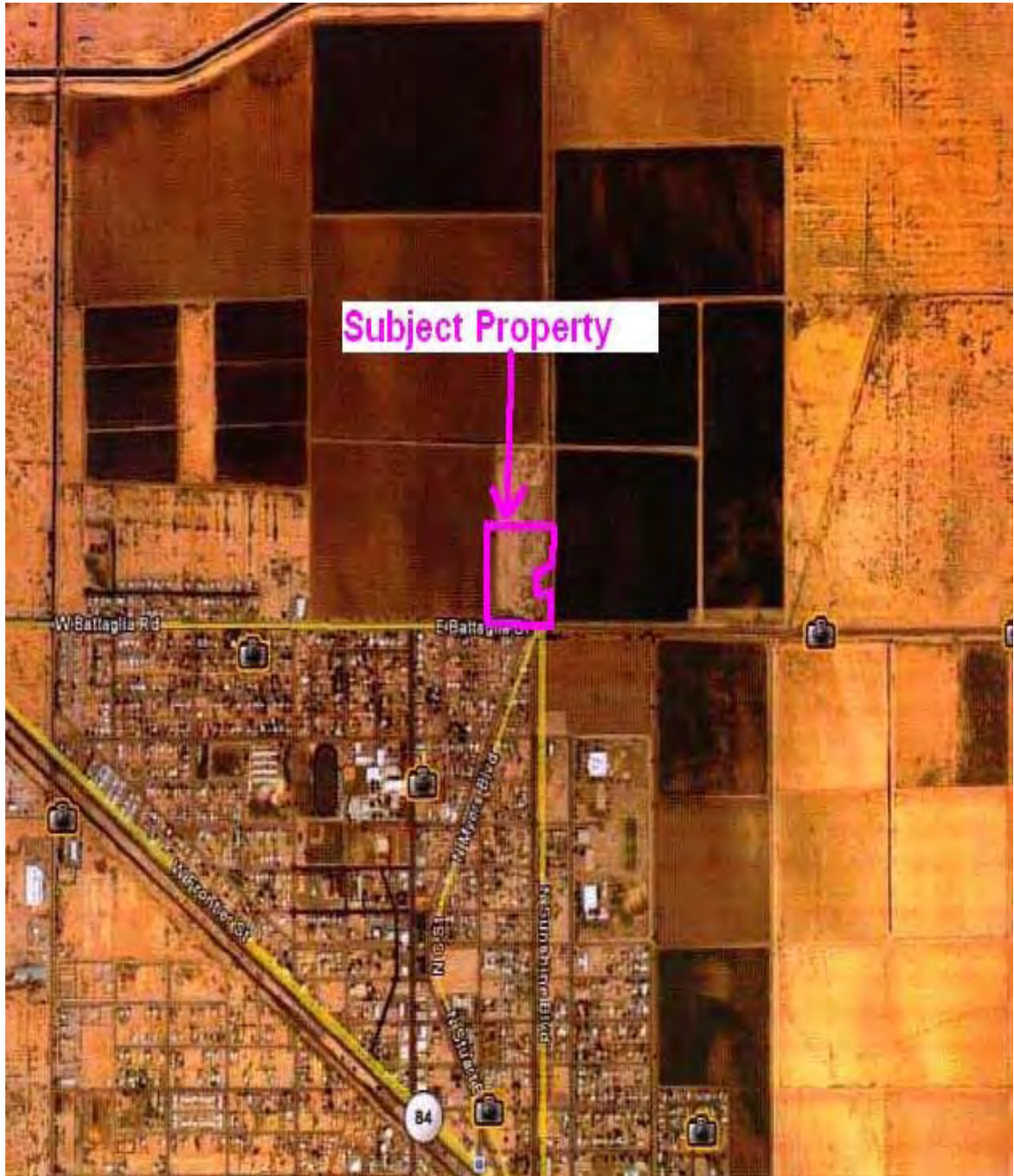
EXHIBIT 7



**PART TWO - FACTUAL DATA** (continued)

## AERIAL MAP

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N



**PART TWO - FACTUAL DATA** (continued)

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**SITE DATA**

<b>Location:</b>	Battaglia Drive and Sunshine Blvd., Eloy, AZ
<b>Census Tract Number:</b>	0020.00
<b>Assessment District:</b>	No
<b>Access:</b>	Property has access from Battaglia Street and Sunshine Blvd.
<b>Zoning General Plan City of Eloy:</b>	Medium Density Residential and Commercial Uses
<b>Cross Streets:</b>	Battaglia Drive & Sunshine Blvd..
<b>Accessibility / Visibility:</b>	The subject property has good accessibility and excellent visibility from Battaglia Drive.
<b>Support Facilities:</b>	Good – The subject property is approximately two miles distance of goods and services.
<b>Topography:</b>	Mostly level to street grade
<b>Surface Drainage:</b>	Appears adequate
<b>Soils:</b>	A soil analysis for the site has not been provided for the preparation of this appraisal. In the absence of a soil report, it is a specific assumption that the site has adequate soils to support the highest and best use.
<b>Subsoil Conditions:</b>	It is assumed that there are no hidden or unapparent conditions to the property, soil, or subsoil, which would render them more or less valuable. Subsurface oil, gas or mineral rights were not considered in this report unless otherwise stated.
<b>Archeological Site:</b>	No visual evidence of archaeological significance. (See Scope and Extent of Data Collection Process in page 17 of this report.)
<b>Wetland Area:</b>	No
<b>Blowsand Area:</b>	The subject property is not located in a blowsand area.
<b>Liquefaction Hazard:</b>	No, according to Riverside County comprehensive General Plan Seismic – Geologic Map, revised April, 1988
<b>Wildlife:</b>	The subject is not located within a mitigation fee area for the fringe-toed lizard.

**PART TWO - FACTUAL DATA** (continued)

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<b>Noise:</b>	None noted
<b>Elevation Variation:</b>	The subject property is level to street grade along Battaglia Drive.
<b>Street Improvements:</b>	Battaglia Drive is a two lane paved road with gutters along the subject's street frontage.
<b>Easements:</b>	There are no known nuisances, hazards, encroachments or easements that appear to have a negative effect on value. All existing utility easements are presumed to be in existence and within normal setback lines.
<b>Airport Sphere of Influence:</b>	No
<b>Utilities:</b>	All utilities appear to be available to the site, but are not warranted.
<b>School District:</b>	Eloy Elementary School District
<b>On – Site Improvements:</b>	223 Finished Lots with utilities and intract street improvements to all 223 finished lots.
<b>Off-Site Improvements:</b>	Battaglia Drive is a two lane paved road; Sunshine Blvd. is a dirt road along the subject's street frontage.
<b>Adjacent Uses:</b>	
<b>North:</b>	Vacant Residential Land
<b>West:</b>	Vacant Residential Land
<b>South:</b>	Older Single Family Residences
<b>East:</b>	Vacant Residential Land
<b>Unit of Comparison:</b>	Price per finished lot; price per acre; price per paper lot; price per sf.
<b>Relationship to and conformity with surroundings:</b>	Good
<b>Functional adequacy:</b>	Good
<b>Allowable Uses in the District:</b>	Commercial/ Residential
<b>Major Flaws in the Site:</b>	None

**PART TWO - FACTUAL DATA** (continued)

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**Environmental:**

It is assumed that there are no potentially hazardous materials (i.e. toxic waste) resulting from past use of the property, construction or maintenance of any of the buildings. Such a condition may or may not be present. The appraiser is not qualified to detect such substances. Therefore, if desired, the client should retain an expert in the field.

**Comments:**

The physical and functional characteristics of the subject parcel meet the desires and standards of typical purchasers in the market. Overall the site has a good location compared to competing sites in the market.

## THE HIGHEST AND BEST USE

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Highest and best use is defined as “that reasonable and probable use that supports the highest present value, as defined, as of the effective date of the appraisal.” Alternatively, that use from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

“The definition immediately above applies specifically to the highest and best use of land. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use...” “Implied within these definitions is recognition of the contribution of that specific use to community environment or to community development goals in addition to wealth maximization of individual property owners. Also implied is that the determination of highest and best use results from the appraiser’s judgment and analytical skill, i.e., that the use determined from analysis represents an opinion, not fact to be found. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.”<sup>1</sup>

Highest and best use of a property is typically discussed as both vacant and as currently improved or proposed. In addition, there is discussion about the ideal improvement the property could support as indicated in the neighborhood analysis of this report. This ideal improvement can then be compared to the proposed buildings for differences that would affect value.

### **A. HIGHEST AND BEST USE ANALYSIS (Vacant Land & Finished Lots)**

#### **1. Legally Permissible:**

The subject property is located in the incorporated City of Eloy, AZ. A 45.64 acre portion of the subject property is currently improved as 223 finished residential lots ready for vertical construction. The remaining 118.09 acre of the subject property is zoned for a mix of residential and commercial uses, but is not fully entitled. The entitlement process to final map will take approximately 12 months.

#### **2. Physically Possible:**

The Site Data and Improvement Data sections of this report displayed detailed characteristics of the site. The subject property consists of 223 finished lots and 118.09 acres of vacant mixed use commercial and residential land. There are many physically possible ways of configuring a mixed use commercial/residential development. The residential lots are physically bound by lot lines and are limited to residential development. The above mentioned legally permissible uses would also be physically possible.

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<sup>1</sup> Byrl N. Boyce, Ed., Real Estate Appraisal Terminology (Cambridge, Mass: Ballinger Publishing Company, 1981), pp. 126-127.



## THE HIGHEST AND BEST USE

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### A. HIGHEST AND BEST USE ANALYSIS (As Is – Vacant Land and Finished Lots)

#### 3. Financially Feasible:

The Regional/City and Neighborhood Sections earlier in this report discussed current and expected supply and demand for commercial and mixed use parcels in the region and the immediate vicinity of the subject property. The current markets (commercial land and improved property) are unstable and may continue to remain unstable for the next 6 to 12 months. The over supply of Residential lots and dwellings is expected to be absorbed in approximately 18-24 months. Later in the appraisal the reader will note that the current Bulk or Wholesale Market Values are less than the cost of production in the individual residential and commercial land residual analyzes making it financially infeasible to develop the subject property at this time.

#### 4. Maximally Productive:

In the final analysis, a determination must be made as to which physically possible and legally permissible use would produce a financially feasible use that generates the highest net return on the land for the longest period of time. An analysis of every possible use for the subject property that might be approved by local government during the site specific planning is beyond the scope of this report.

The subject site is in the path of development and has good access and visibility. The maximally productive use would be hold the existing finished lots and vacant land for near term development.

#### 5. Conclusion:

Later in the report the reader will note that the test for economic feasibility to immediately start development is whether the bulk or wholesale market value is equal to or greater than the cost of production. In the subject's case, it proved to be infeasible to continue to develop the subject property at the present time.

### B. THE IDEAL IMPROVEMENT

The ideal improvement would be single family residential dwellings on individual lots which conform to the density requirement of the City of Eloy and a mix of retail/service for the commercial property.

### C. HIGHEST AND BEST USE ANALYSIS (As Proposed)

#### 1. Legally Permissible:

The Site Data and Improvement Data sections of this report displayed detailed characteristics of the site. The subject property consists of 223 finished lots and 118.09 acres of vacant mixed use commercial and residential land. There are many physically possible ways of configuring a mixed use commercial/residential development. The residential lots are physically bound by lot lines and are limited to residential development. The above mentioned legally permissible uses would also be physically possible.

**THE HIGHEST AND BEST USE**

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**C. HIGHEST AND BEST USE ANALYSIS (As Proposed)****2. Physically Possible:**

The Site Data and Improvement Data sections of this report displayed detailed characteristics of the site. The subject property consists of 223 finished lots and 118.09 acres of vacant mixed use commercial and residential land. There are many physically possible ways of configuring a mixed use commercial/residential development. The residential lots are physically bound by lot lines and are limited to residential development. The above mentioned legally permissible uses would also be physically possible.

**3. Financially Feasible:**

The Regional/City and Neighborhood Sections earlier in this report discussed current and expected supply and demand for commercial and mixed use parcels in the region and the immediate vicinity of the subject property. The current markets (commercial land and improved property) are unstable and may continue to remain unstable for the next 6 to 12 months. The over supply of Residential lots and dwellings is expected to be absorbed in approximately 18-24 months. Later in the appraisal the reader will note that the current Bulk or Wholesale Market Values are less than the cost of production in the individual residential and commercial land residual analyzes making it financially infeasible to develop the subject property at this time.

**6. Maximally Productive:**

In the final analysis, a determination must be made as to which physically possible and legally permissible use would produce a financially feasible use that generates the highest net return on the land for the longest period of time. An analysis of every possible use for the subject property that might be approved by local government during the site specific planning is beyond the scope of this report.

The subject site is in the path of development and has good access and visibility. The maximally productive use would be hold the existing finished lots and vacant land for near term development.

**5. Conclusion:**

Later in the report the reader will note that the test for economic feasibility to immediately start development is whether the bulk or wholesale market value is equal to or greater than the cost of production. In the subject's case, it proved to be infeasible to continue to develop the subject property at the present time. Further analysis in the discounted cash flow indicated that development of the subject property will be economically feasible if the property were to be held for three years before continuing development (i.e. Individual Prospective Bulk or Wholesale Market Values as of 12/31/12 for all portions of the subject property are greater than the individual Cost of Productions) indicating the highest and best use is to hold for three years.

## **APPRAISAL METHODOLOGY**

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### **APPRAISAL METHODOLOGY**

Every real property is different and there are many types of value that can be estimated for any real property. For this appraisal assignment, the appraiser is estimating the market value of the subject property as of December 31, 2009. The definition of Market Value has been defined in the Purpose of the Appraisal section of this report. The subject property and type of value desired have been identified and so the appraisal problem has been defined.

In the appraisal process, it is my intention to present a properly supported value conclusion for the subject property. The market data, analysis, and conclusions presented in the report guide a reader in reaching a similar value conclusion as the appraiser.

In the LAND VALUE SECTION of an appraisal report, market data and other information pertaining to land value are presented along with an analysis of the data and reasoning that lead to the land value estimate. The factors that affect land value should be presented in a clear and precise manner. The narrative should lead the reader to the land value estimate.

Depending on a specific appraisal assignment, any of the following six methods may be used to value land.

1. Sales Comparison
2. Allocation
3. Extraction
4. Subdivision Development
5. Land Residual
6. Ground Rent Capitalization

In the COST APPROACH, an estimated reproduction or replacement cost of the building and land improvements "as if completed" as of the date of the appraisal is developed, together with an estimate of the losses in value that have taken place due to design and plan on neighborhood influences. To the depreciated building cost estimate, entrepreneurial profit and the estimated value of the land are added. The total represents the value indicated by the cost approach.

In the SALES COMPARISON APPROACH, the subject property is compared to similar properties that have been sold recently or for which listing prices or offering figures are known. Data for generally comparable properties are used and comparisons are made to demonstrate a probable price at which the subject property would be sold if offered on the market.

In the INCOME CAPITALIZATION APPROACH, the "as if complete" rental income to the property is shown with deductions for vacancy and collection loss and expenses. The prospective net operation income of the property is estimated. To support this estimate, comparable properties may be reviewed along with available operation cost estimates. An applicable capitalization method and appropriate capitalization rates are developed and used in computations that leads to value indications.

## **APPRAISAL METHODOLOGY**

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### **APPRAISAL METHODOLOGY (continued)**

In the LAND RESIDUAL METHOD of land valuation is simply an extension of the previously indicated approaches and feasibility. Subtracting the hard and soft costs of development, as well as the developer's profit, from the present value of the future benefits indicates a residual to raw vacant land. The Land Residual Method is a good check of the results from previous value approaches.

1. First, a discounted cash flow analysis will be performed to determine the "As Is" market value of 223 finished residential lots.
2. Next, Individual Land Residual Techniques will be used to determine the "As Is" market value 39.47 Acres (143 paper lots), 40.39 Acres (89 paper lots), and 13.42 Acres (120 paper lots).
3. Another land residual analysis will be performed to determine the "As Is" market value of the 24.81 acre commercial parcel.
4. An additional land residual analysis will be performed to determine the final "As Is" market value as if the 223 finished lots; and 118.09 acres of commercial and residential land were all sold to a single buyer.

## 223 FINISHED RESIDENTIAL LOTS ("As Is" MARKET VALUE)

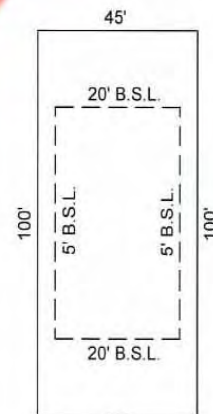
*Esperanza*

### *Phase 1, Unit 1*

High Density  
223 Units  
45.64 Acres



BATTAGLIA DRIVE



45'  
50' PUBLIC STREET  
TYPICAL LOT

EXHIBIT 8

**LAND RESIDUAL TECHNIQUE**

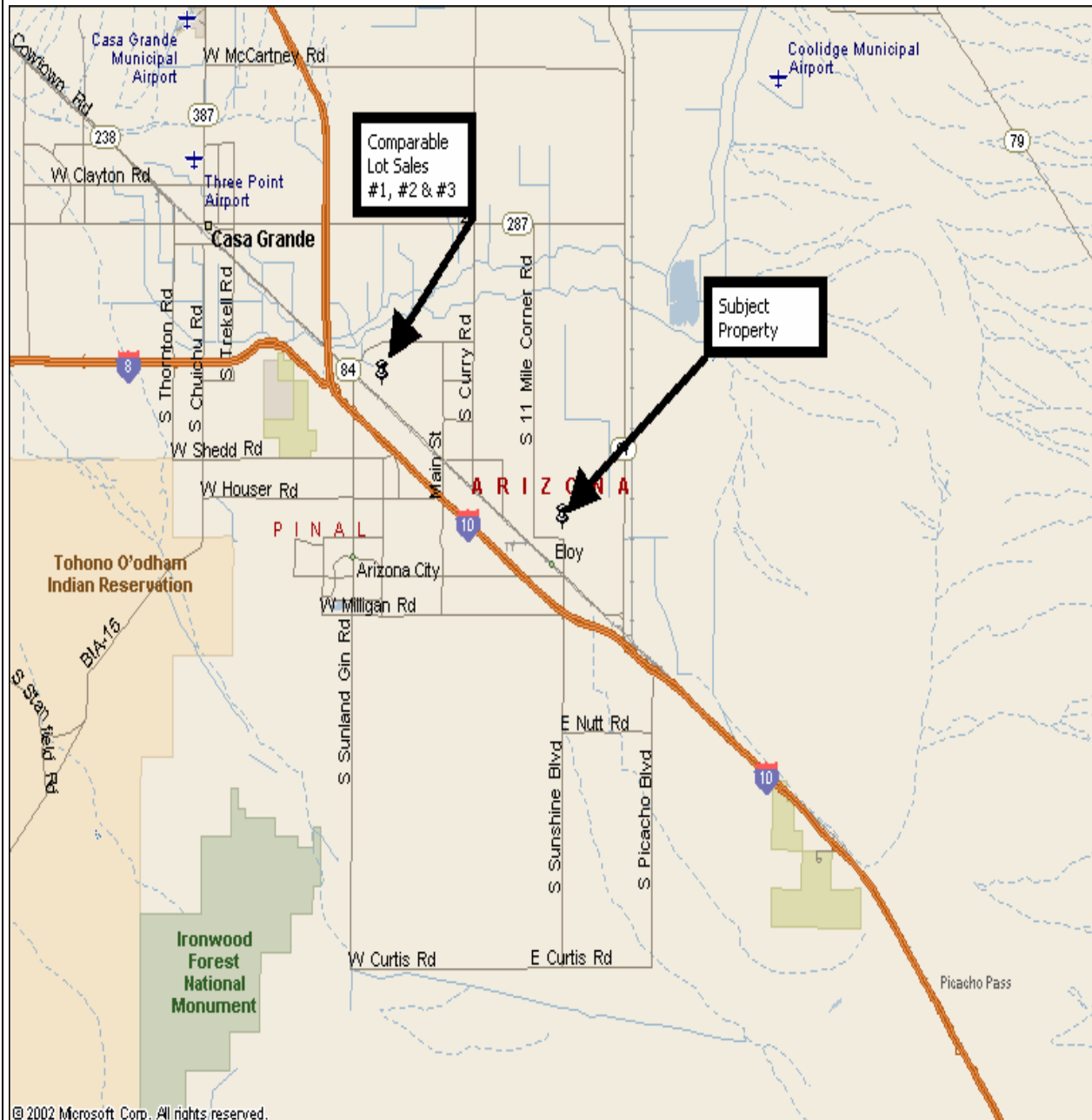
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**I. Sales Comparison Approach for the Aggregate Retail of 223 Finished Lots (Fee Simple)**

I have searched the market for similar land sales and listings in the subject's district and have specifically researched those areas near the subject property. Special emphasis was given to sales that were considered competitive with the subject property. I have judged that the following sales will offer objective support for the value of the subject property.

Following is the physical data of these sales along with the comparison grid and the appraiser's analysis of adjustments made in the grid.

## COMPARABLE LOT SALES MAP











**FINISHED LOT SALE COMPARISON #3 (Allocated)**

SEC. 16 AND 17, TN.7S RG.7E

GOLF COURSE

SEE MAP 402-30\_8

SEE MAP 402-30\_3

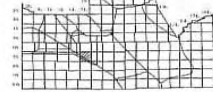
SEE MAP 402-14\_1

SEE MAP 402-30\_8

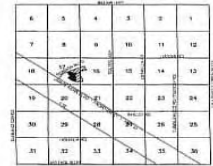
SEE MAP 402-30\_7

**402-30\_6**ROBSON RANCH CASA GRANDE  
UNIT 6  
C&S P - S.D. 124

LOCATION MAP



VICINITY MAP



CONCESSION PARCELS: 402-14-001 TO 402-14-010  
 TRACTS A, B, C, D, E & F UNDER PARCEL  
 402-30-001  
 TRACT G (GOLF COURSE TRACTS UNDER PARCEL  
 402-30-002)  
 TRACT H (WATER LAKE TRACTS UNDER PARCEL  
 402-30-003)



10-27-2008

UPDATED BY: DA

THIS MAP IS FOR INFORMATIONAL PURPOSES ONLY.  
 THIS OFFICE WILL NOT BE RESPONSIBLE FOR ANY  
 REPERECTIONS OR INACCURACIES OR OMISSIONS  
 WHICH MAY BE FOUND IN THIS MAP OR FOR ANY  
 LOSS OR DAMAGE TO ANY PERSON OR PROPERTY  
 ARISING FROM THE USE OF THIS MAP.

PINAL COUNTY ASSESSORS MAP

<b>Location:</b>	5271 N. Gila Trail Drive, Eloy, AZ 85231
<b>Date of Sale:</b>	10/15/09
<b>Documentation:</b>	Doc #107085
<b>Parcel Number:</b>	402-30-462
<b>Buyer:</b>	Gaylen Hein
<b>Seller:</b>	Obryant Trust
<b>Allocated:</b>	
<b>Sale Price:</b>	\$215,000 (3BR/ 2BA 1,724 SF SFD)
<b>Contributory Value of Lot:</b>	<u>X 25%</u>
<b>Total Lot Value</b>	<b>\$53,750</b>
<b>Property Rights</b>	
<b>Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Conventional
<b>Cash Equivalency:</b>	\$53,750
<b>Conditions of Sale:</b>	Arms length transaction.
<b>Market Conditions:</b>	Unstable
<b>Lot Size:</b>	7,405 SF
<b>Topography:</b>	Mostly Level
<b>Utilities:</b>	All public utilities appear to be available to the site.
<b>Zoning:</b>	Residential
<b>Unit Price Per/Lot:</b>	\$53,750
<b>Comments:</b>	This property is larger in size compared to the subject property with superior amenities.

**THE SALES COMPARISON APPROACH****FINISHED LOT SALES COMPARISON GRID (As of 12/31/09)**

FACTOR	SUBJECT	NO. 1		NO. 2		NO. 3	
Location	Battaglia Drive Eloy, AZ	5235 W. Pueblo Dr. Eloy, AZ		5144 W. Nogales		5271 N. Gila Trail Eloy, AZ	
Date of Sale	12/31/09	5/28/09		10/15/09		9/10/09	
Sale Price	\$29,969	\$50,000		\$51,250		\$53,750	
Lot Size	4,500 SF	6,098 SF		7,841 SF		7,405 SF	
Price per Lot	\$29,969	\$50,000		\$51,250		\$53,750	
CHARACTERISTIC SUBJECT							
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Financing Terms	Cash	Cash		Cash		Cash	
Conditions of Sale	Arm’s Length	Arm’s Length		Arm’s Length		Arm’s Length	
Market Conditions	Negative	Negative	-0-	Negative	-0-	Negative	-0-
Adjusted Price/Lot	\$29,969	\$50,000		\$51,250		\$53,750	
PHYSICAL ADJUSTMENTS							
Size	4,500 SF	6,098 SF	(5,000)	7,841 SF	(7,500)	7,405 SF	(7,500)
Location	Good	Similar	-0-	Similar	-0-	Similar	-0-
View	Good	Superior	(5,000)	Superior	(5,000)	Superior	(5,000)
Location within the subdivision	Average	Average	-0-	Average	-0-	Average	-0-
Amenities	Yes	Superior	(10,000)	Superior	(10,000)	Superior	(10,000)
ADJUSTMENTS							
Size (Lg – Sm)	(5,000), (7,500)	45,000		43,750		46,250	
Amenities	(10,000)	35,000		33,750		36,250	
View	(5,000)	30,000		28,750		31,250	
Net Adjustment		(20,000)		(22,500)		(22,500)	
Adjusted Unit Price	\$29,969	\$30,000		\$28,750		\$31,250	
WEIGHTED VALUES							
Reliability (1-10)		8		8		8	
Contribution (%)		0.333		0.333		0.333	
Contribution (\$)	\$29,969	\$9,990		\$9,574		\$10,406	

## THE SALES COMPARISON APPROACH

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### THE SALES COMPARISON APPROACH TO VALUE (continued)

#### A. Typical Finished Lot Value Analysis (continued)

##### 1. Sales Comparison Analysis

###### a. Property Rights, Financing Terms and Conditions of Sale:

All comparable site sales were sold or listed as Fee Simple Estates. Financing terms for the sales represented cash or its equivalent to the sellers. Lastly, Conditions of Sale were based on an arm's length basis. These three characteristics of the sale properties are equal to the assumptions being applied to the subject property. Consequently, no adjustments were necessary for these three characteristics of the sale properties.

###### b. Time and Market Conditions:

Market Value estimates assume an open and competitive marketplace. Current market conditions leading up to the date of appraisal have been a period of increasing market activity. Proper analysis of sales transactions in comparison to the subject is for circumstances to parallel the definition of Market Value. To the extent that any of the conditions of a sale differ substantially from the elements in the definition, without appropriate adjustment, the transaction fails as evidence of Market Value. The subject property is being appraised during negative market conditions. All three comparable lot sales were also sold during negative market conditions. Therefore, no adjustments were made.

###### c. Size Adjustment:

All three comparable lot sales are larger than the subject property. Therefore, downward adjustments were made to all three Comparable Lot Sales according to size.

###### d. Amenities Adjustment:

All three Comparable Lot Sales have superior amenities when compared to the subject property. Therefore, a downward adjustment of \$10,000 per lot was made to all three Comparable Lot Sales.

###### e. View Adjustment:

All three Comparable Lot Sales have superior views. Therefore, a downward adjustment of \$5,000 per lot was made to all three Comparable Lot Sales.

###### f. Location with the Subdivision Adjustment:

All three Comparable lot sales have similar locations within the subdivision. Therefore, no adjustments were necessary.

**THE SALES COMPARISON APPROACH****THE SALES COMPARISON APPROACH TO VALUE** (continued)**A. Typical Finished Lot Value Analysis** (continued)**2. Finished Lot Value Conclusion**

The lot sales described in this report were representative of the current market in the subject's neighborhood. These sales allowed for derivation of market adjustments to be applied for differences between the sales and subject property. The results from the grid indicated a range of \$28,750 to \$31,250 per lot with an adjusted price per lot of \$29,969 for the subject site.

Reliability factors from 1 to 10, 10 being the most comparable, were assigned to the comparable sales. The sales were rated for reliability on the basis of size and number of adjustments. Adding these factors together and dividing individually indicated a percent contribution for each sale. Multiplying these contributions by the adjusted sale value indications per acre indicated a dollar contribution per sale. Adding these dollar contributions together indicated a dollar per lot value for the subject site. The market value indication of the typical finished lot can therefore, be calculated as follows:

<b>Per Typical Lot Value Indication by Comparable Sales Analysis</b>	=	<b>\$29,969</b>
<b>FINISHED LOT MARKET VALUE INDICATION BY COMPARABLE SALES (Rounded)</b>	=	<b>\$29,969</b>

Therefore, it is my opinion that the aggregate "retail" market value of the fee simple interest for the subject's 223 lots December 31, 2009 if sold to individual purchasers, as of December 31, 2009, is as follows:

<b>AGGREGATE RETAIL OF 223 LOTS</b>	<b>X</b>	<b>\$29,969</b>	<b>=</b>	<b>\$6,683,000</b>
-------------------------------------	----------	-----------------	----------	--------------------

**\$6,683,000 (\$29,969/Finished Lot)**

**(SIX MILLION SIX HUNDRED EIGHTY THREE THOUSAND DOLLARS)**



**THE INCOME APPROACH****B. Discounted Cash Flow Analysis to solve for the Bulk or Wholesale Market Value of 223 Finished Lots**

The method is referred to as yield capitalization because it analyzes whether an investment property will produce the particular level of profit or yield required. The discounted cash flow assumptions are contained below.

**Discounted Cash Flow and Land Residual Assumptions**

<b>Date of Appraisal:</b>		December 31, 2009
Holding Period:		8 Years ; From Completion to Sell-Out
Number of Lots	223	
Average Price Per Lot	\$29,969	
Absorption per year	48	
Total Aggregate Retail	\$6,683,000	Aggregate Retail Value
Annual Appreciation	-0-	CPI & Inflation as offset
Appreciation Rate	-0-	CPI & Inflation as offset
Present Value Factor		8% (Discount rate)

**1. Discounted Cash Flow Calculations**

The following pages contain discounted cash flow income and expense calculations related to the subject's 223 finished lots December 31, 2009 and ready for sale upon the effective date of the appraisal. These calculations will produce the "as is" bulk or wholesale market value of the 223 finished lots.

**THE INCOME APPROACH**

---

**B. "As Is" Bulk or Wholesale Value of the 223 Finished Vacant Lots (continued).**

**Error! Not a valid link.**

INSERT DISCOUNTED CASH FLOW HERE

**5. Conclusion:**

*DOZIER APPRAISAL COMPANY*

**THE INCOME APPROACH**

---

After deduction of holding costs such as sales commissions, property taxes and administrative expenses, the present worth of the 223 finished vacant lots, "As Is", at a discount rate of 8%, is rounded to \$2,445,000. Thus, the indication of the "As Is" bulk or wholesale market value of the subject property's 223 finished vacant lots, via discounted cash flow approach (DCF), as of the effective December 31, 2009 is estimated as follows:

<b>"As Is" BULK OR WHOLESALE MARKET VALUE OF 223 FINISHED LOTS</b>	<b>=</b>	<b>\$2,445,000</b>
--	----------	--------------------

37.47 ACRES – 143 PAPER LOTS  
("As Is" MARKET VALUE)

*Esperanza*

***Phase 1, Unit 2***

Medium Density  
143 Units  
37.47 Acres

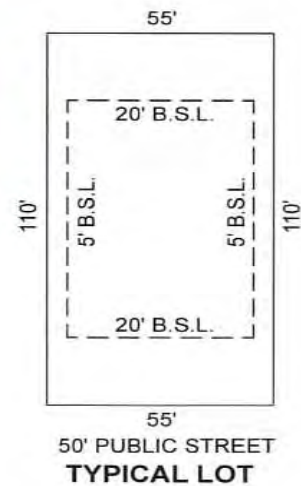
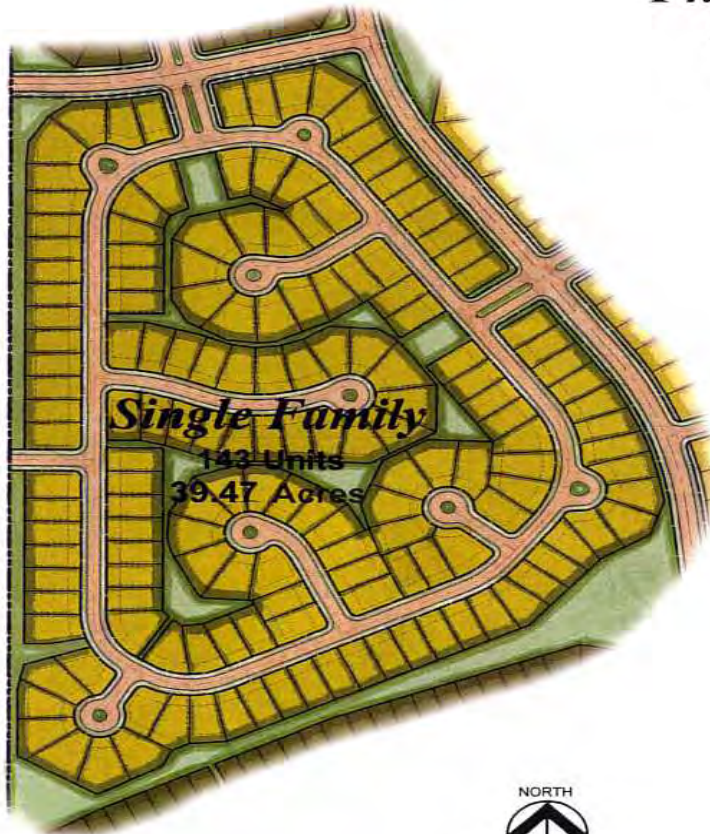


EXHIBIT 9

## THE SALES COMPARISON APPROACH

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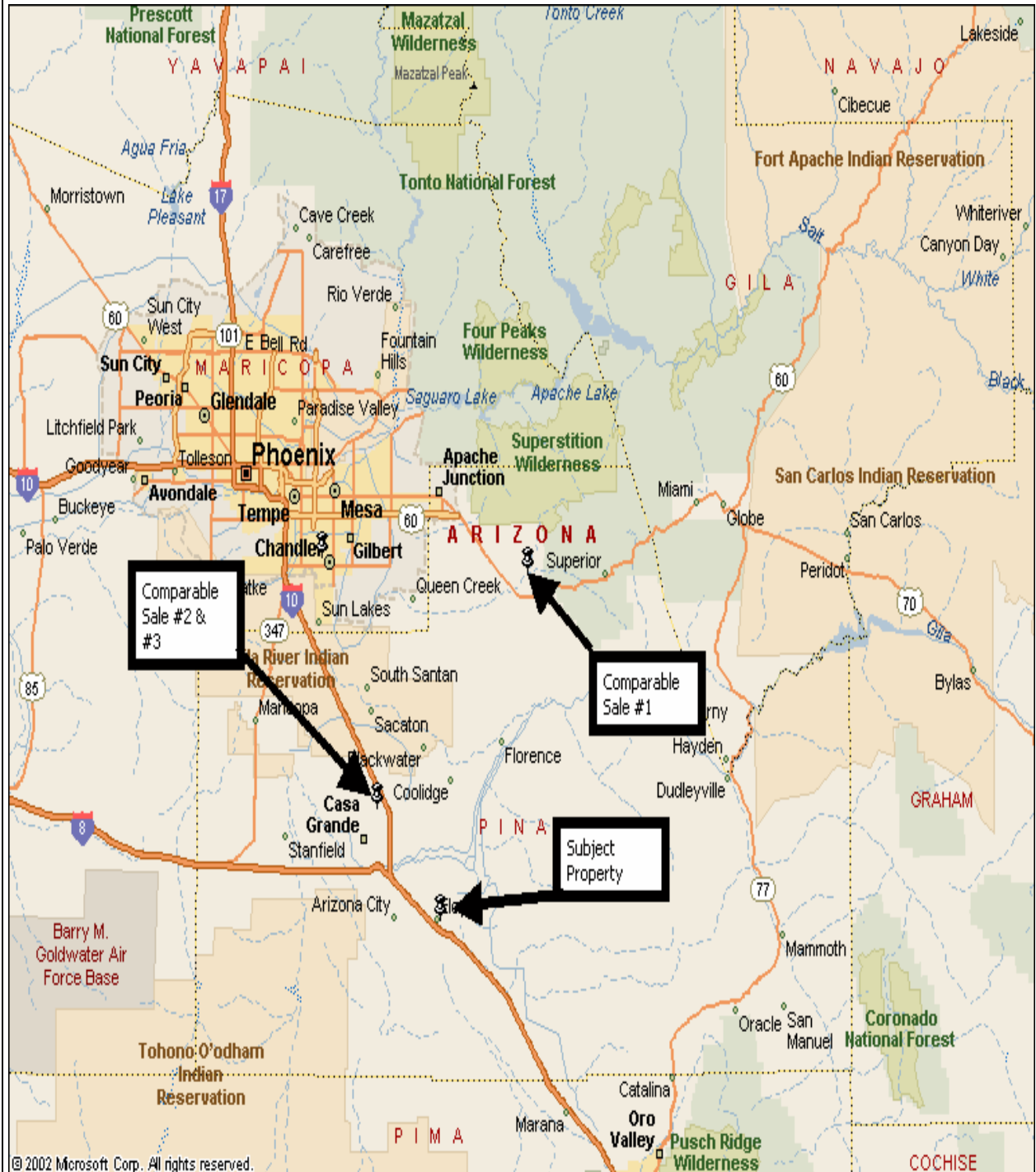
### **I. "As Is" Market Value of 37.47 Acres (143 Paper Lots) (Fee Simple)**

I have searched the market for similar land sales and listings in the subject's district and have specifically researched those areas near the subject property. Special emphasis was given to sales that were considered competitive with the subject property. I have judged that the following sales will offer objective support for the value of the subject property.

Following is the physical data of these sales along with the comparison grid and the appraiser's analysis of adjustments made in the grid.



# COMPARABLE LAND SALES MAP (FEE SIMPLE)



<b>LAND SALE COMPARISON #1</b>
--------------------------------

<b>Location:</b>	NWC Cloudview & Edgemore, Gold Canyon, AZ
<b>Identification:</b>	Assessor's Parcel Numbers: #104-50-100A Pinal County, AZ
<b>Thomas Map Guide:</b>	N/A
<b>Date of Sale:</b>	11/09
<b>Documentation:</b>	Instrument No. 44702 Official Records, Pinal County, AZ.
<b>Buyer:</b>	Goldford Mahaffy
<b>Seller:</b>	M & I Marshall
<b>Sale Price:</b>	\$900,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Conventional
<b>Cash Equivalency:</b>	\$900,000
<b>Conditions of Sale:</b>	Arms Length
<b>Market Conditions:</b>	Stable
<b>Site Size:</b>	40 Acres
<b>Access:</b>	Good
<b>Topography:</b>	Mostly Level
<b>Building Improvements:</b>	None
<b>Utilities:</b>	Public utilities appear to be available to the site
<b>Zoning:</b>	Residential
<b>Price Per Acre:</b>	\$22,500/Acre

<b>LAND SALE COMPARISON #1 CONT'D.</b>
--

**Present Use at Time  
of Sale:**

Vacant Land

**Highest and Best Use:**

Hold for Near Term Development 3-5 Years

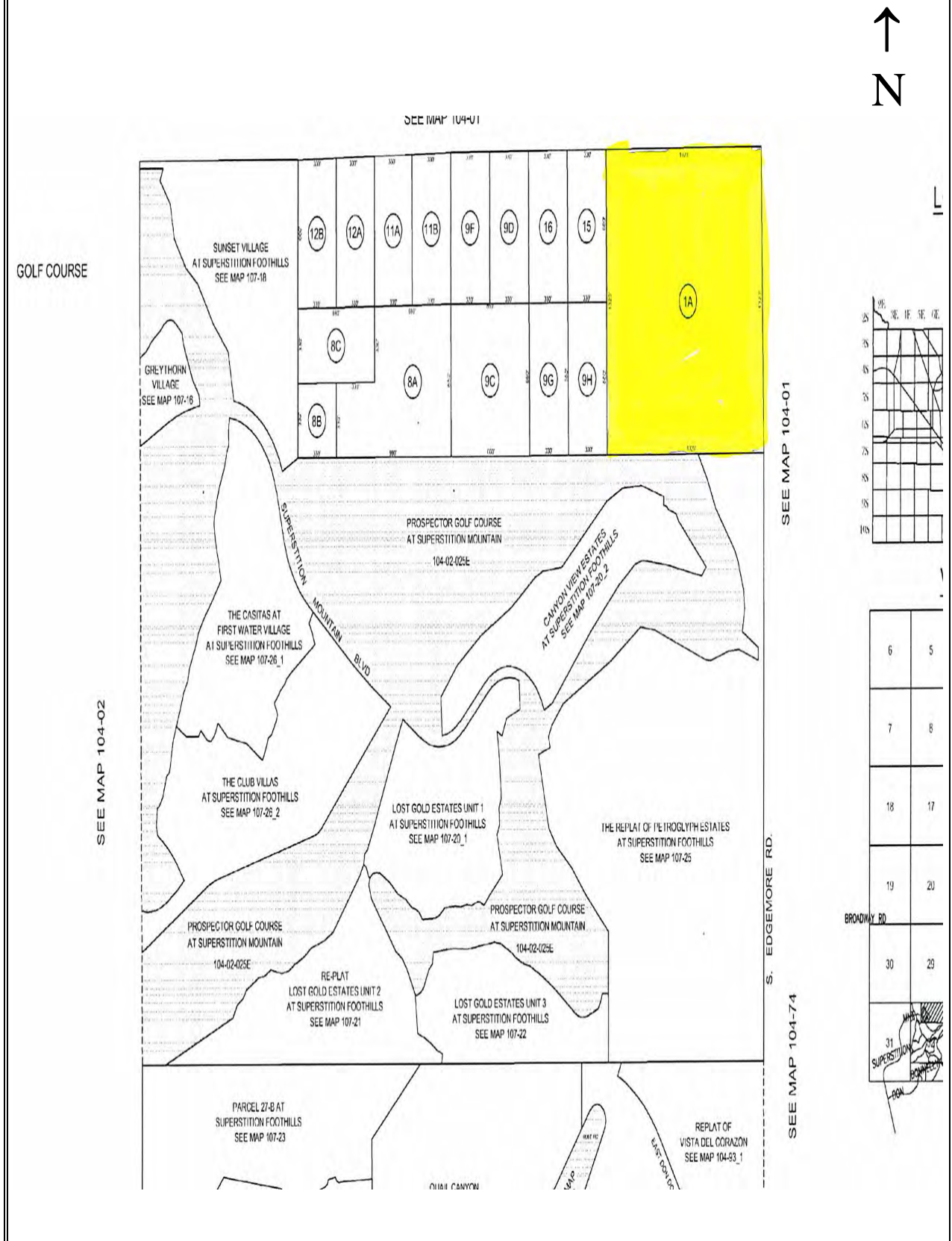
**Verification:**

Loopnet; RealQuest; Pinal County Records

**Comments:**

This property is similar in size when compared to the subject property and has similar zoning. This property was sold without entitlements.

## COMPARABLE LAND SALE #1 PARCEL MAP



<b>LAND SALE COMPARISON #2</b>
--------------------------------

<b>Location:</b>	187 and Thronton, Casa Grande, AZ
<b>Identification:</b>	Assessor's Parcel Number 511-80-015 Pinal County, Arizona.
<b>Thomas Map Guide:</b>	N/A
<b>Date of Sale:</b>	9/07
<b>Documentation:</b>	Documentation Number, N/A Pinal County, AZ.
<b>Buyer:</b>	Amed Moorand
<b>Seller:</b>	N/A
<b>Sale Price:</b>	\$320,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Cash
<b>Cash Equivalency:</b>	\$320,000
<b>Conditions of Sale:</b>	Arms length transaction.
<b>Market Conditions:</b>	Stable
<b>Site Size:</b>	20 Acres
<b>Access:</b>	Good
<b>Topography:</b>	Mostly Level
<b>Building Improvements:</b>	None
<b>Utilities:</b>	All public utilities appear to be available to the sight But not warranted.
<b>Zoning:</b>	Residential
<b>Unit Price Per Acre:</b>	\$16,000/Acre



<b>LAND SALE COMPARISON #2 CONT'D.</b>
--

**Present Use at Time  
of Sale:**

Vacant Land

**Highest and Best Use:**

Near Term Development 2-3 Years

**Verification:**

Loopnet; RealQuest; Pinal County Records

**Comments:**

This property is smaller in size and has similar zoning when compared to the subject property. This property was sold without entitlements.

## COMPARABLE LAND SALE #2 PARCEL MAP

↑  
N



<b>LAND SALE COMPARISON #3</b>
--------------------------------

<b>Location:</b>	Midway Road, Casa Grande, AZ
<b>Identification:</b>	Assessor's Parcel Number 500-19-007C Riverside Co., California.
<b>Thomas Map Guide:</b>	N/A
<b>Date of Sale:</b>	December 2008
<b>Documentation:</b>	Grant Deed recorded as Instrument N/A in Official Records, Pinal County, AZ.
<b>Buyer:</b>	Patricia Evans
<b>Seller:</b>	N/A
<b>Sale Price:</b>	\$600,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Cash
<b>Cash Equivalency:</b>	\$600,000
<b>Conditions of Sale:</b>	Arms length transaction.
<b>Market Conditions:</b>	Unstable
<b>Site Size:</b>	40 Acres
<b>Access:</b>	Good
<b>Topography:</b>	Mostly Level
<b>Building Improvements:</b>	None
<b>Utilities:</b>	All public utilities appear to be available to the site
<b>Zoning:</b>	Residential
<b>Unit Price Per Acre:</b>	\$15,000

<b>LAND SALE COMPARISON #3 CONT'D.</b>
--

**Present Use at Time  
of Sale:**

Vacant Land

**Highest and Best Use:**

Hold Near Term 2-3 Years

**Verification:**

Loopnet; RealQuest; Pinal County Records

**Comments:**

This property is similar in size when compared to the subject property. This property is zoned residential and was sold without entitlements.

# COMPARABLE LAND SALE #3 PARCEL MAP



**SEC. 13 E/2, TN.7S RG.4E**

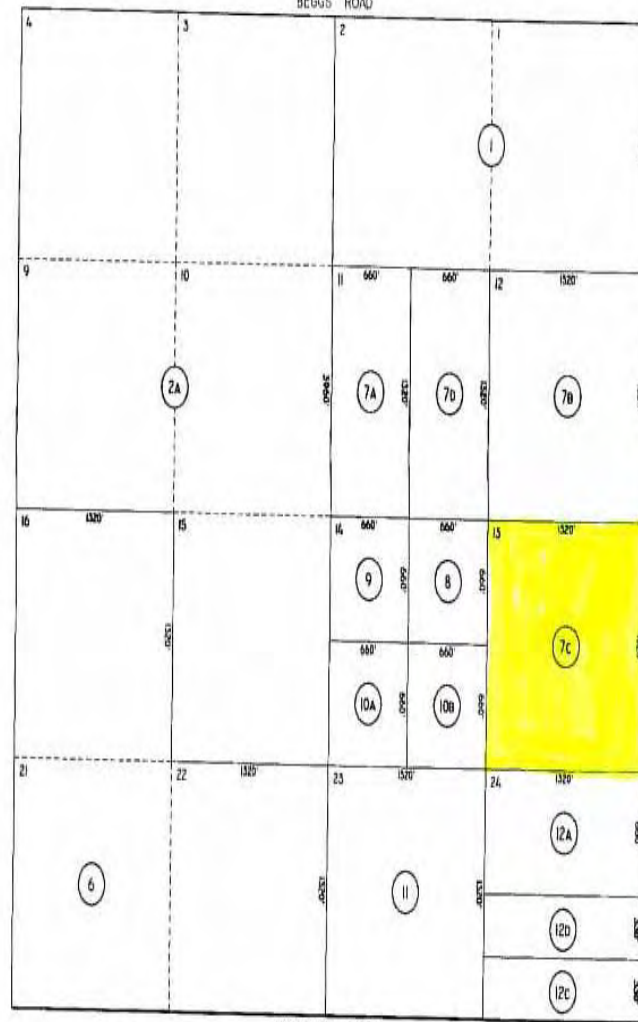
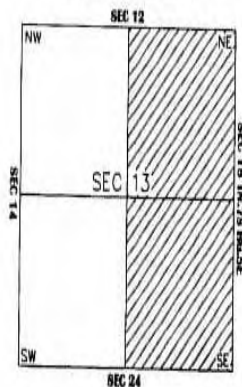
THIS MAP IS FOR TAX PURPOSES ONLY.  
THIS OFFICE WILL NOT ASSUME LIABILITY FOR  
REPRESENTATION, MEASUREMENTS OR AREA.

SEE MAP 500-17  
BEGGS ROAD

**500-19  
1/2**

SEE MAP 500-19 2/2

## VICINITY MAP



SEE BOOK 335



SCALE: 1" = 600'

7-6-2001

CONNELLEY ROAD  
SEE MAP 500-23 1/2

PINAL COUNTY ASSESSORS MAP

**LAND SALES COMPARISON GRID (FEE SIMPLE ) 37.47 Acres as of  
12/31/09**

FACTOR	SUBJECT	NO. 1		NO. 2		NO. 3	
Location	Battaglia Drive & Sunshire Road Eloy	Cloudview & Edgemore Gold Canyon		I-8 @ Thornton Casa Grande		S. Midway Road Casa Grande	
Date of Sale	12/31/09	11/09		9/07		12/08	
Sale Price	\$504,084	\$900,000		\$320,000		\$600,000	
Size (Acres)	37.47 Acres	40.00 Acres		20.00 Acres		40.00 Acres	
# of Paper Lots	143	160		80		160	
Price Per Paper Lot	\$3,572	\$5,625		\$4,000		\$3,750	
Price Per Acre	\$13,453	\$22,500		\$16,000		\$15,000	
CHARACTERISTIC SUBJECT							
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Financing Terms	Cash	Cash		Cash		Cash	
Conditions of Sale	Arm's Length	Arm's Length		Arm's Length		Arm's Length	
Market Conditions	Negative	Negative	-0-	Less Negative	(10%)	Less Negative	(10%)
Adjusted Price Per Acre	\$13,453	\$22,500		\$14,400		\$13,500	
PHYSICAL ADJUSTMENTS							
Size	39.47 Acres	40.00 Acres	-0-	20.00 Acres	(200)	40.00	-0-
Shape	Rectangular	Rectangular	-0-	Rectangular	-0-	Rectangular	-0-
Location	Good	Superior	(500)	Superior	(500)	Superior	(500)
Density	4/Acre	Similar	-0-	Similar	-0-	Similar	-0-
Off-Sites/Utilities	Yes	Similar	-0-	Similar	-0-	Similar	-0-
Access	Good	Good	-0-	Good	-0-	Good	-0-
Highest & Best Use	Hold Near Term Development 2-3 Years	Similar	-0-	Similar	-0-	Similar	-0-
Neighborhood Reputation	Average	Superior	(8,300)	Average	-0-	Average	-0-
Entitlements	No	No	-0-	No	-0-	No	-0-
ADJUSTMENTS							
Size	(200)	22,500		14,200		13,500	
Location	(500)	22,000		13,700		13,000	
Neighborhood Reputation 1 & 2	(8,300)	13,700		13,700		13,000	
Net Adjustment		(8,800)		(700)		(500)	
Adjusted Unit Price		\$13,700		\$13,700		\$13,000	
WEIGHTED VALUES							
Reliability (1-10)		8		8		8	
Contribution (%)		0.333		0.333		0.333	
Contribution (\$)	\$13,453	\$4,562		\$4,562		\$4,329	



## THE SALES COMPARISON APPROACH

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### I. Comparable Land Sales Analysis (continued)

“The sales comparison approach may be used to value land that is actually vacant or land that is being considered as though vacant for appraisal purposes. Sales comparison is the most common technique for valuing land and it is the preferred method when comparable sales are available. To apply this method, sales of similar parcels of land are analyzed, compared and adjusted to provide a value indication for the land being appraised. In the comparison process the similarity or dissimilarity of the parcels is considered.”<sup>2</sup>

Adjustments to each of the sales is required for significant differences which effect value. “The order in which quantitative adjustments are applied to the sale prices of comparable properties” is called the sequence of adjustments. “The sequence of adjustments is determined by the market and through analysis of the data.”<sup>3</sup> Using the sequence, the appraiser obtains intermediate price figures and applies succeeding adjustments to each previously adjusted price. The adjustments applied to the price of a comparable property reflect the sale’s superiority or inferiority in regard to the real property rights conveyed, financing, conditions of sale, market conditions, location, and physical characteristics.

There are “basic elements of comparison that should always be considered in Sales Comparison Analysis”<sup>4</sup> and other physical differences. All of the sales sold as fee simple estates as arm’s length transactions and therefore, adjustments were not required for these aspects.

#### 1. Property Rights, Financing Terms and Conditions of Sale:

All comparable site sales were sold or listed as Fee Simple Estates. Financing terms for the sales represented cash or its equivalent to the sellers. Lastly, Conditions of Sale were based on an arm’s length basis. These three characteristics of the sale properties are equal to the assumptions being applied to the subject property. Consequently, no adjustments were necessary for these three characteristics of the sale properties.

#### 2. Time and Market Conditions:

Market Value estimates assume an open and competitive marketplace. Current market conditions leading up to the date of appraisal have been a period of increasing market activity. Proper analysis of sales transactions in comparison to the subject is for circumstances to parallel the definition of Market Value. To the extent that any of the conditions of a sale differ substantially from the elements in the definition, without appropriate adjustment, the transaction fails as evidence of Market Value.

The subject property is being appraised during negative market conditions. Comparable Sale #2 & #3 were sold during less negative market conditions. Therefore, a downward adjustment of 10% per acre was made to Comparable Sale #2 & #3.

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<sup>2</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 337

<sup>3</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 443

<sup>4</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 426

**THE SALES COMPARISON APPROACH****I. Comparable Land Sales Analysis (continued)****3. Size Adjustment:**

Comparable Land Sale #2 is smaller than the subject property. Therefore, a downward adjustment of \$200 per acre was made to Comparable Land Sale #2.

**4. Location Adjustment:**

All three Comparable Sales have superior locations when compared to the subject property. Therefore, a downward adjustment of \$500 per acre was made to all three Comparable Land Sales.

**5. Off-Site Improvements Adjustment:**

All three Comparable Land Sales have similar off-site improvements. Therefore, no adjustments were made.

**6. Neighborhood Reputation Adjustment:**

A matched pair was found between Comparable Land Sale #1 & #2. They are exactly alike except Comparable Land Sale #1 has a superior neighborhood reputation. Therefore, a downward adjustment of \$8,300 per acre was made to Comparable Land Sale #1.

**7. Entitlements Adjustment:**

None of the comparable land sales were sold with entitlements. Therefore, no adjustments were made.

**Vacant Land Conclusion for 37.47 Acres (143 Paper Lots- Fee Simple):**

The land sales described in this report were representative of the current market in the subject's neighborhood. These sales allowed for derivation of market adjustments to be applied for differences between the sales and subject property. The results from the grid indicated a range of \$13,000 to \$13,700 per acre with an adjusted price per acre of \$13,453 for the subject property.

Reliability factors from 1 to 10, 10 being the most comparable, were assigned to the comparable sales. The sales were rated for reliability on the basis of size and number of adjustments. Adding these factors together and dividing individually indicated a percent contribution for each sale. Multiplying these contributions by the adjusted sale value indications per acre indicated a dollar contribution per sale. Adding these dollar contributions together indicated a dollar per acre value for the subject site. The market value indication of the site can therefore, be calculated as follows:

<b>37.47 Acres Vacant Land (143 Paper Lots)</b>	<b>X</b>	<b>\$13,453 per acre</b>	<b>=</b>	<b>\$504,084</b>
<b>"As Is " Market Value – Fee Simple (rounded)</b>			<b>=</b>	<b>\$504,000</b>

## THE SALES COMPARISON APPROACH

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### II. Land Residual Technique ( Fee Simple) –37.47 Acres (143 Paper Lots)

#### A. Cost of Production Analysis (Per Parcel)

Production cost is the cost of construction at current prices of an exact duplicate, or replica, using the same materials, construction standards design, layout, and quality of workmanship, and embodying all the deficiencies, superadequacies, and obsolescence of the proposed subject Parcel improvements. In the analysis of the cost to develop subdivision Parcels (as if complete and ready for sale), the following have been recognized:

#### 1. The “As Is” market value of the land by Direct Sales Comparison (Per Parcel).

#### 2. Construction Costs:

- a. Hard costs: Direct development costs associated with labor and materials of construction of streets, utilities (on and off site) and any other physical improvements.
- b. Soft costs: Indirect development costs associated with non-construction items such as land planning, engineering, marketing, municipal fees, appraisal, financing fees, interest and other entitlement costs.

#### 3. Developer’s Profit: That profit level necessary to induce a typical developer to undertake the necessary approval, planning and construction to the point of completion of the Parcel subdivision of a given type.

#### 4. Cost Data Source:

Typical developer’s cost estimates, as determined by local contractor bids and developer quotes and are utilized with reference to the “Marshall Valuation Service”, published by Marshall and Swift Publication Company, is a nationally recognized cost estimating company located in Los Angeles, California. The costs calculated by this method represent a typical bidding target range. These costs are updated regularly to reflect changes and differences in construction costs by class of construction and location. This method estimates direct and indirect costs associated with construction development as noted below.

The cost of replacing a property is generally estimated on a square foot basis. The value of the land is then added to the replacement cost estimate. **This cost estimate includes the average architect’s and engineers fees, including plans, plan check, building permits and survey to establish building lines and grades; also, normal interest on building funds during the period of construction and processing fees or service charges are included as well as sales tax on materials, normal site preparation, including excavation for foundation and back-fill, as well as, utilities from structure to lot line are figured for typical set-backs. The contractor’s overhead and profit, including job supervision, workmen’s compensation, fire and liability insurance, unemployment insurance and so forth are all included.**

**THE SALES COMPARISON APPROACH**

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**II. Land Residual Technique ( Fee Simple)**

**A. Cost of Production Analysis (continued)**

**4. Cost Data Source: (continued)**

All other hard and soft costs to develop the land from its “as is” status will be taken into consideration in the cost of production. Additional costs, not included in the Valuation Service, such as entrepreneurial profit, are estimated and are being included as additional indirect costs.”

**5. Improvement Valuation (Per Parcel)**

The developer’s cost estimates will be utilized to develop the cost of production cost estimate as cross-referenced by “The Marshall Valuation Service.”

**THE SALES COMPARISON APPROACH****II. Land Residual Technique (Fee Simple - continued)****A. Cost of Production Analysis Calculations for 143 Residential Lots****Developer's Cost of Production Analysis (To Completion but Prior to Sell Off)**

<b>Hard Cost</b>		<b>Subtotal</b>	<b>Total</b>
• <b>Off-Site Street Improvements</b>	<b>Included</b>		
• <b>On-Site</b> (cost to produce 143 Finished Lots)	<b>\$2,145,000</b>		
<b>Subtotal On-Site Costs</b>	\$2,145,000		
<b>Total of Hard Costs</b>		<b>\$2,145,000</b>	
<b>Soft Costs</b> (not already included in hard costs)	\$100,000		
<b>Total Soft Cost</b>	\$100,000	<b>\$100,000</b>	
<b>Total Hard &amp; Soft Costs</b>			<b>\$2,245,000</b>
Developer's Incentive (10% of Hard and Soft Costs)		<b>\$224,500</b>	
<b>Total Development Costs</b>			<b>\$2,469,500</b>
Plus: Land Value (37.47 Acres)*	\$504,000		
Plus: Developer's Incentive (10% of Land Value)	\$50,400		
Market Value Indication Via Cost of Production for 143 Finished Lots			\$3,023,900
<b>Rounded Bulk or Wholesale Value Indication for 143 Finished Lots</b>			<b>\$3,024,000</b>

It is concluded that the wholesale or bulk market value indication by the cost approach of the subject 143 Finished Lots "as if complete" is as follows:

<b>TOTAL WHOLESALE OR BULK VALUE BY COST</b>	\$3,023,900
<b>TOTAL VALUE INDICATION FOR SUBJECT 143 Finished Lots (rounded)</b>	<b>\$3,024,000</b>

**\*The reader will note the prospective cost of production as of 12/31/12 is \$3,111,000. The difference between the current cost of production and the prospective cost of production is due to a mark-up on the land during the 3 year holding period.**

**LAND RESIDUAL TECHNIQUE**

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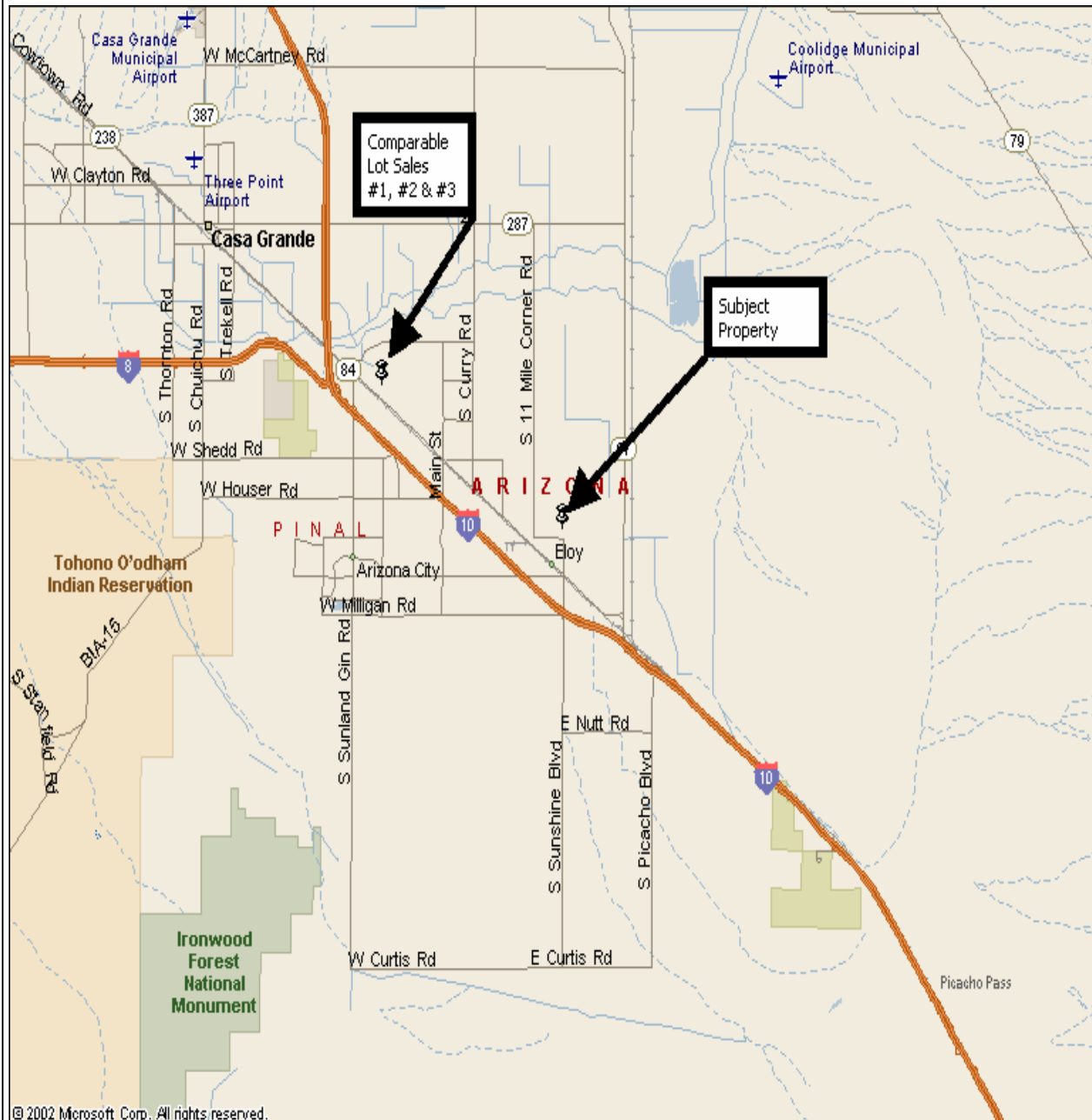
**I. Sales Comparison Approach for the Aggregate Retail of 143 Finished Lots (Fee Simple)**

I have searched the market for similar land sales and listings in the subject's district and have specifically researched those areas near the subject property. Special emphasis was given to sales that were considered competitive with the subject property. I have judged that the following sales will offer objective support for the value of the subject property.

Following is the physical data of these sales along with the comparison grid and the appraiser's analysis of adjustments made in the grid.



## COMPARABLE LOT SALES MAP









**THE SALES COMPARISON APPROACH****FINISHED LOT SALES COMPARISON GRID (As of 12/31/12)**

FACTOR	SUBJECT	NO. 1		NO. 2		NO. 3	
Location	Battaglia Drive Eloy, AZ	5235 W. Pueblo Dr. Eloy, AZ		5144 W. Nogales		5271 N. Gila Trail Eloy, AZ	
Date of Sale	12/31/12	5/28/09		10/15/09		9/10/09	
Sale Price	\$40,126	\$50,000		\$51,250		\$53,750	
Lot Size	6,050 SF	6,098 SF		7,841 SF		7,405 SF	
Price per Lot	\$40,126	\$50,000		\$51,250		\$53,750	
CHARACTERISTIC SUBJECT							
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Financing Terms	Cash	Cash		Cash		Cash	
Conditions of Sale	Arm’s Length	Arm’s Length		Arm’s Length		Arm’s Length	
Market Conditions	Prospective Stable	Negative	+10%	Negative	+10%	Negative	+10%
Adjusted Price/Lot	\$40,126	\$55,000		\$56,375		\$59,125	
PHYSICAL ADJUSTMENTS							
Size	6,050 SF	6,098 SF	-0-	7,841 SF	(2,500)	7,405 SF	(2,500)
Location	Good	Similar	-0-	Similar	-0-	Similar	-0-
View	Good	Superior	(5,000)	Superior	(5,000)	Superior	(5,000)
Location within the subdivision	Average	Average	-0-	Average	-0-	Average	-0-
Amenities	Yes	Superior	(10,000)	Superior	(10,000)	Superior	(10,000)
ADJUSTMENTS							
Size (Lg – Sm)	(2,500)	55,000		53,875		56,625	
Amenities	(10,000)	45,000		43,875		46,625	
View	(5,000)	40,000		38,875		41,625	
Net Adjustment		(15,000)		(17,500)		(17,500)	
Adjusted Unit Price	\$40,126	\$40,000		\$38,875		\$41,625	
WEIGHTED VALUES							
Reliability (1-10)		8		8		8	
Contribution (%)		0.333		0.333		0.333	
Contribution (\$)	\$40,126	\$13,320		\$12,945		\$13,861	

## THE SALES COMPARISON APPROACH

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### THE SALES COMPARISON APPROACH TO VALUE (continued)

#### A. Typical Finished Lot Value Analysis (continued)

##### 1. Sales Comparison Analysis

###### a. Property Rights, Financing Terms and Conditions of Sale:

All comparable site sales were sold or listed as Fee Simple Estates. Financing terms for the sales represented cash or its equivalent to the sellers. Lastly, Conditions of Sale were based on an arm's length basis. These three characteristics of the sale properties are equal to the assumptions being applied to the subject property. Consequently, no adjustments were necessary for these three characteristics of the sale properties.

###### b. Time and Market Conditions:

Market Value estimates assume an open and competitive marketplace. Current market conditions leading up to the date of appraisal have been a period of increasing market activity. Proper analysis of sales transactions in comparison to the subject is for circumstances to parallel the definition of Market Value. To the extent that any of the conditions of a sale differ substantially from the elements in the definition, without appropriate adjustment, the transaction fails as evidence of Market Value. The subject property is being appraised as of a prospective date of 12/31/2012 at which time market participants are predicting stable market conditions. All three comparable lot sales were also sold during negative market conditions. Therefore, adjustments were made according to dates of sale.

###### c. Size Adjustment:

Comparable Lot Sale #2 & #3 are larger than the subject property. Therefore, downward adjustments of \$2,500 per lot were made to Comparable Lot Sales #2 & #3.

###### d. Amenities Adjustment:

All three Comparable Lot Sales have superior amenities when compared to the subject property. Therefore, a downward adjustment of \$10,000 per lot was made to all three Comparable Lot Sales.

###### e. View Adjustment:

All three Comparable Lot Sales have superior views. Therefore, a downward adjustment of \$5,000 per lot was made to all three Comparable Lot Sales.

###### f. Location with the Subdivision Adjustment:

All three Comparable lot sales have similar locations within the subdivision. Therefore, no adjustments were necessary.



**THE SALES COMPARISON APPROACH****THE SALES COMPARISON APPROACH TO VALUE (continued)****A. Typical Finished Lot Value Analysis (continued)****2. Finished Lot Value Conclusion**

The lot sales described in this report were representative of the current market in the subject's neighborhood. These sales allowed for derivation of market adjustments to be applied for differences between the sales and subject property. The results from the grid indicated a range of \$38,875 to \$41,625 per lot with an adjusted price per lot of \$40,126 for the subject site.

Reliability factors from 1 to 10, 10 being the most comparable, were assigned to the comparable sales. The sales were rated for reliability on the basis of size and number of adjustments. Adding these factors together and dividing individually indicated a percent contribution for each sale. Multiplying these contributions by the adjusted sale value indications per acre indicated a dollar contribution per sale. Adding these dollar contributions together indicated a dollar per lot value for the subject site. The market value indication of the typical finished lot can therefore, be calculated as follows:

<b>Per Typical Lot Value Indication by Comparable Sales Analysis</b>	<b>=</b>	<b>\$40,126</b>
<b>FINISHED LOT MARKET VALUE INDICATION BY COMPARABLE SALES (Rounded)</b>	<b>=</b>	<b>\$40,126</b>

Therefore, it is my opinion that the aggregate "retail" market value of the fee simple interest for the subject's 143 lots December 31, 2009 if sold to individual purchasers, as of December 31, 2009, is as follows:

<b>AGGREGATE RETAIL OF 143 LOTS</b>	<b>X</b>	<b>\$40,126</b>	<b>=</b>	<b>\$5,738,000</b>
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**\$5,738,000 (\$40,126/Finished Lot)**

**(FIVE MILLION SEVEN HUNDRED THIRTY EIGHT THOUSAND DOLLARS)**

## THE INCOME APPROACH

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### C. Discounted Cash Flow Analysis to solve for the Bulk or Wholesale Market Value of 143 Finished Lots

The method is referred to as yield capitalization because it analyzes whether an investment property will produce the particular level of profit or yield required. The discounted cash flow assumptions are contained below.

#### Discounted Cash Flow and Land Residual Assumptions

<b>Date of Appraisal:</b>		December 31, 2009
Holding Period:		6 Years ; From Completion to Sell-Out
Number of Lots	143	
Average Price Per Lot	\$40,126	
Absorption per year	48	
Total Aggregate Retail	\$5,738,000	Aggregate Retail Value
Annual Appreciation	-0-	CPI & Inflation as offset
Appreciation Rate	-0-	CPI & Inflation as offset
Present Value Factor		11% Bulk; 12% Land Residual

#### 1. Discounted Cash Flow Calculations

The following pages contain discounted cash flow income and expense calculations related to the subject's 143 finished lots "as if complete" and ready for sale upon the effective date of the appraisal. These calculations will produce the "As Is" market value of the 37.47 Acres.

**THE INCOME APPROACH**

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**B. As if Complete Bulk or Wholesale Value of the 143 Finished Vacant Lots  
As of 12/31/09 (continued).**

INSERT DISCOUNTED CASH FLOW HERE

**THE INCOME APPROACH**

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**C. "As Is" Market Value of 143 Paper Lots as of 12/31/09 (continued)**

INSERT DISCOUNTED CASH FLOW HERE

**THE INCOME APPROACH****D. "Prospective As If Complete" Bulk or Wholesale Market Value of 143 Finished Lots as of 12/31/12**

		2012	2013	2014	
Income/Expense per Month		1st Year	2nd Year	3rd Year	Total
INCOME:					
Average Lot Value	\$40,126				
Number of Lots to Sell		143	107	59	
Number of Lots Sold		36.00	48.00	59.00	
Lots Remaining		107.00	59.00	0.00	
Effective Gross Income		\$1,444,536	\$1,926,048	\$2,367,434	\$5,738,018
EXPENSES:					
Property Taxes	1.10%	\$15,890	\$21,187	\$26,042	\$63,118
HOA Dues/Maintenance	\$1,200	\$128,400	\$70,800	\$0	
Insurance		\$10,000	\$10,000	\$10,000	\$30,000
Legal/Accounting/Closing	1.00%	\$14,445	\$19,260	\$23,674	\$57,380
Commissions	2.00%	\$28,891	\$38,521	\$47,349	\$114,760
Marketing	1.50%	\$21,668	\$28,891	\$35,512	\$86,070
Developer's Incentive	\$650,000	\$216,667	\$216,667	\$216,667	\$650,000
Total Expenses		\$435,961	\$405,325	\$359,243	\$1,200,529
Net Sale Proceeds		\$1,008,575	\$1,520,723	\$2,008,191	\$4,537,489
Discount Rate(Does Not Include Developer's Profit)	8%	0.925926	0.857339	0.793832	
Negative Cash Flow Discount Rate	6%	0.943396	0.889996	0.839619	
Present Value of Equity		\$933,866	\$1,303,775	\$1,594,167	\$3,831,807
Cumulative Total		\$933,866	\$2,237,641	\$3,831,807	
Bulk or Wholesale Market Value	\$3,831,807				
Bulk or Wholesale Market Value	\$3,832,000				
Value Per Lot	\$26,797				

**RECONCILIATION****III. RECONCILIATION AND FINAL ESTIMATE OF VALUE (Fee Simple)**

- **“As Is” Market Value Land Residual Technique** **\$502,000**
- **“As Is” Market Value Sales Comparison Approach** **\$504,000**

Reconciliation involves analysis of the quantity and quality of all data in the report. The advantages, relevance, and market support for each of the approaches to value was considered. Conclusions were derived throughout the report explaining any discrepancies using reasonable judgment, tying it all together and relating the results to the subject property. Because the real estate market is imperfect, complete agreement of the approaches is not necessary. However, reasonable conclusions were reached using the groundwork established in the appraisal report.

The purpose of this appraisal is to estimate and report my opinion of the subject property's “As Is” MARKET VALUE of the 37.47 acres (143 Paper Lots) if it were sold to an individual buyer.

A thorough search was conducted in the local Multiple Listings Service, First American Title Loopnet, and Real Quest for any evidence of vacant residential land market value during the past 18 months.

Therefore, based upon my investigation and analysis of the data gathered with respect to this assignment, I have formed the opinion that the “As Is” MARKET VALUE of the subject property, as of the effective date December 31, 2009, is measured in the amount of:

**\$503,000 (\$3,517/Paper Lot - \$13,474/Acre)**

**(FIVE HUNDRED THREE THOUSAND DOLLARS)**

Reasonable exposure time necessary to sell this property to a single purchaser prior to the date of this appraisal is estimated to be 8 to 10 months.



40.39 ACRES – 89 PAPER LOTS  
("As Is" MARKET VALUE)



EXHIBIT 10

## THE SALES COMPARISON APPROACH

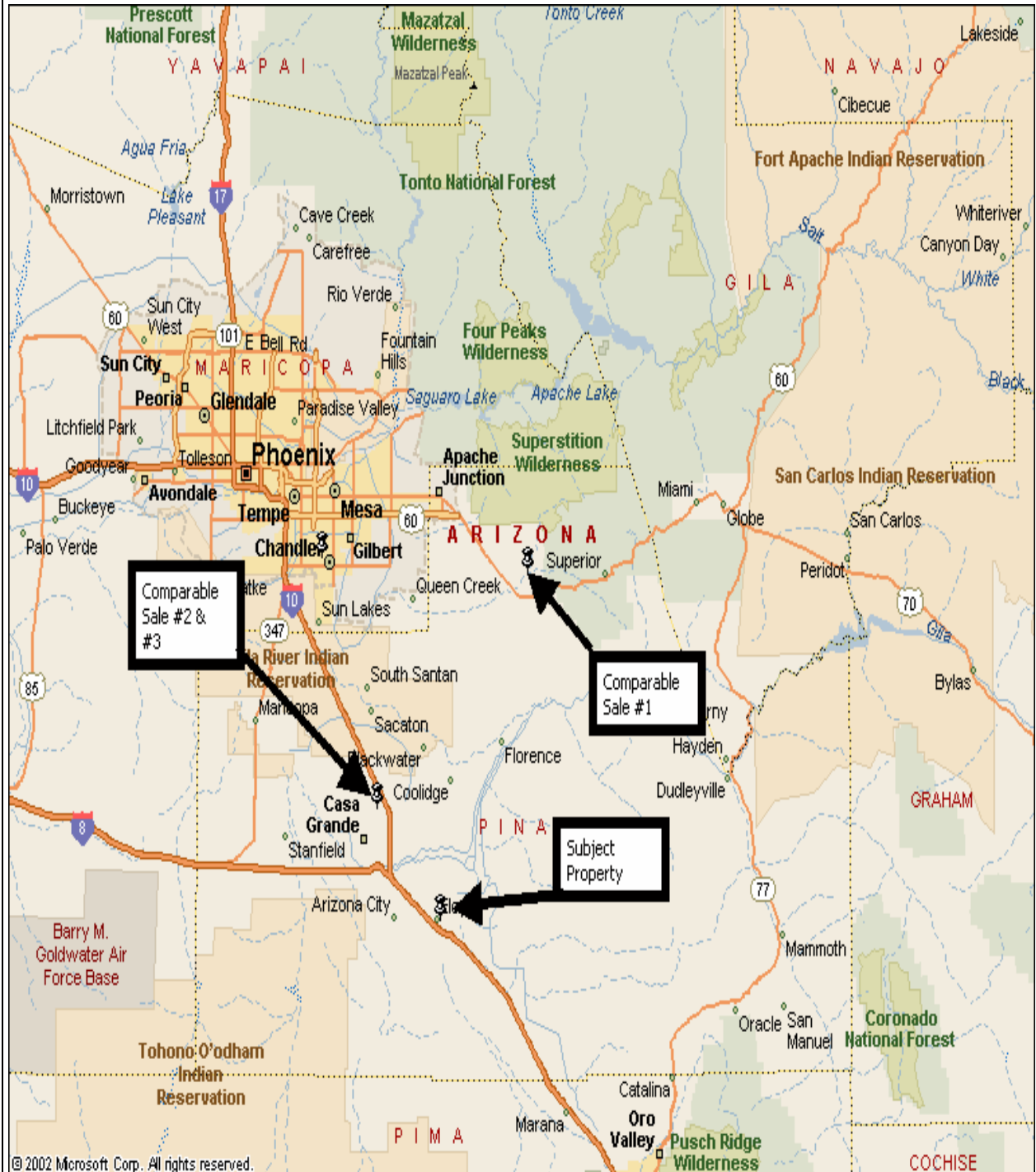
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### **I. "As Is" Market Value of 40.39 Acres (89 Paper Lots) (Fee Simple)**

I have searched the market for similar land sales and listings in the subject's district and have specifically researched those areas near the subject property. Special emphasis was given to sales that were considered competitive with the subject property. I have judged that the following sales will offer objective support for the value of the subject property.

Following is the physical data of these sales along with the comparison grid and the appraiser's analysis of adjustments made in the grid.

# COMPARABLE LAND SALES MAP (FEE SIMPLE)



<b>LAND SALE COMPARISON #1</b>
--------------------------------

<b>Location:</b>	NWC Cloudview & Edgemore, Gold Canyon, AZ
<b>Identification:</b>	Assessor's Parcel Numbers: #104-50-100A Pinal County, AZ
<b>Thomas Map Guide:</b>	N/A
<b>Date of Sale:</b>	11/09
<b>Documentation:</b>	Instrument No. 44702 Official Records, Pinal County, AZ.
<b>Buyer:</b>	Goldford Mahaffy
<b>Seller:</b>	M & I Marshall
<b>Sale Price:</b>	\$900,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Conventional
<b>Cash Equivalency:</b>	\$900,000
<b>Conditions of Sale:</b>	Arms Length
<b>Market Conditions:</b>	Stable
<b>Site Size:</b>	40 Acres
<b>Access:</b>	Good
<b>Topography:</b>	Mostly Level
<b>Building Improvements:</b>	None
<b>Utilities:</b>	Public utilities appear to be available to the site
<b>Zoning:</b>	Residential
<b>Price Per Acre:</b>	\$22,500/Acre

<b>LAND SALE COMPARISON #1 CONT'D.</b>
--

**Present Use at Time  
of Sale:**

Vacant Land

**Highest and Best Use:**

Hold for Near Term Development 3-5 Years

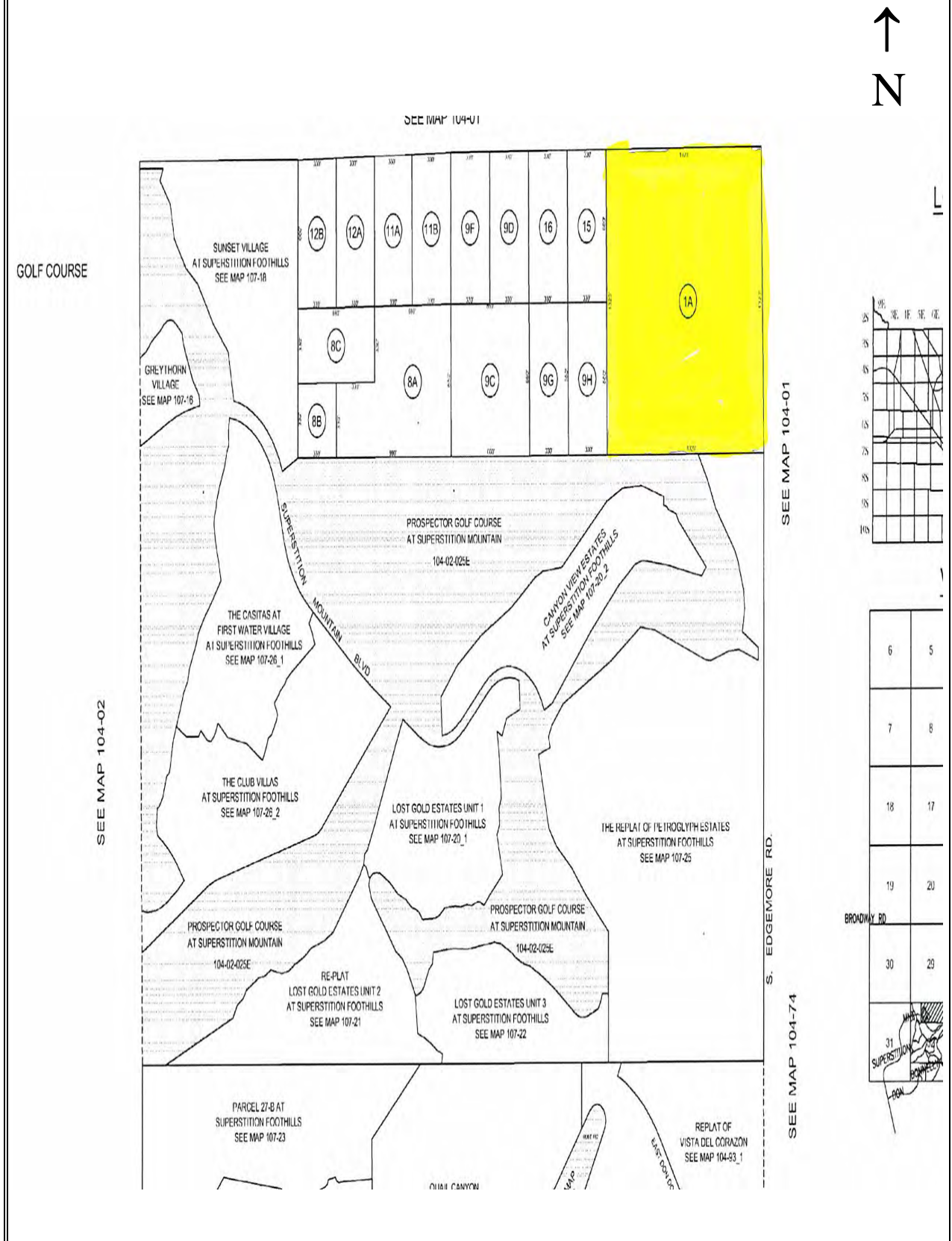
**Verification:**

Loopnet; RealQuest; Pinal County Records

**Comments:**

This property is similar in size when compared to the subject property and has similar zoning. This property was sold without entitlements.

## COMPARABLE LAND SALE #1 PARCEL MAP





<b>LAND SALE COMPARISON #2</b>
--------------------------------

<b>Location:</b>	187 and Thronton, Casa Grande, AZ
<b>Identification:</b>	Assessor's Parcel Number 511-80-015 Pinal County, Arizona.
<b>Thomas Map Guide:</b>	N/A
<b>Date of Sale:</b>	9/07
<b>Documentation:</b>	Documentation Number, N/A Pinal County, AZ.
<b>Buyer:</b>	Amed Moorand
<b>Seller:</b>	N/A
<b>Sale Price:</b>	\$320,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Cash
<b>Cash Equivalency:</b>	\$320,000
<b>Conditions of Sale:</b>	Arms length transaction.
<b>Market Conditions:</b>	Stable
<b>Site Size:</b>	20 Acres
<b>Access:</b>	Good
<b>Topography:</b>	Mostly Level
<b>Building Improvements:</b>	None
<b>Utilities:</b>	All public utilities appear to be available to the sight But not warranted.
<b>Zoning:</b>	Residential
<b>Unit Price Per Acre:</b>	\$16,000/Acre

<b>LAND SALE COMPARISON #2 CONT'D.</b>
--

**Present Use at Time  
of Sale:**

Vacant Land

**Highest and Best Use:**

Near Term Development 2-3 Years

**Verification:**

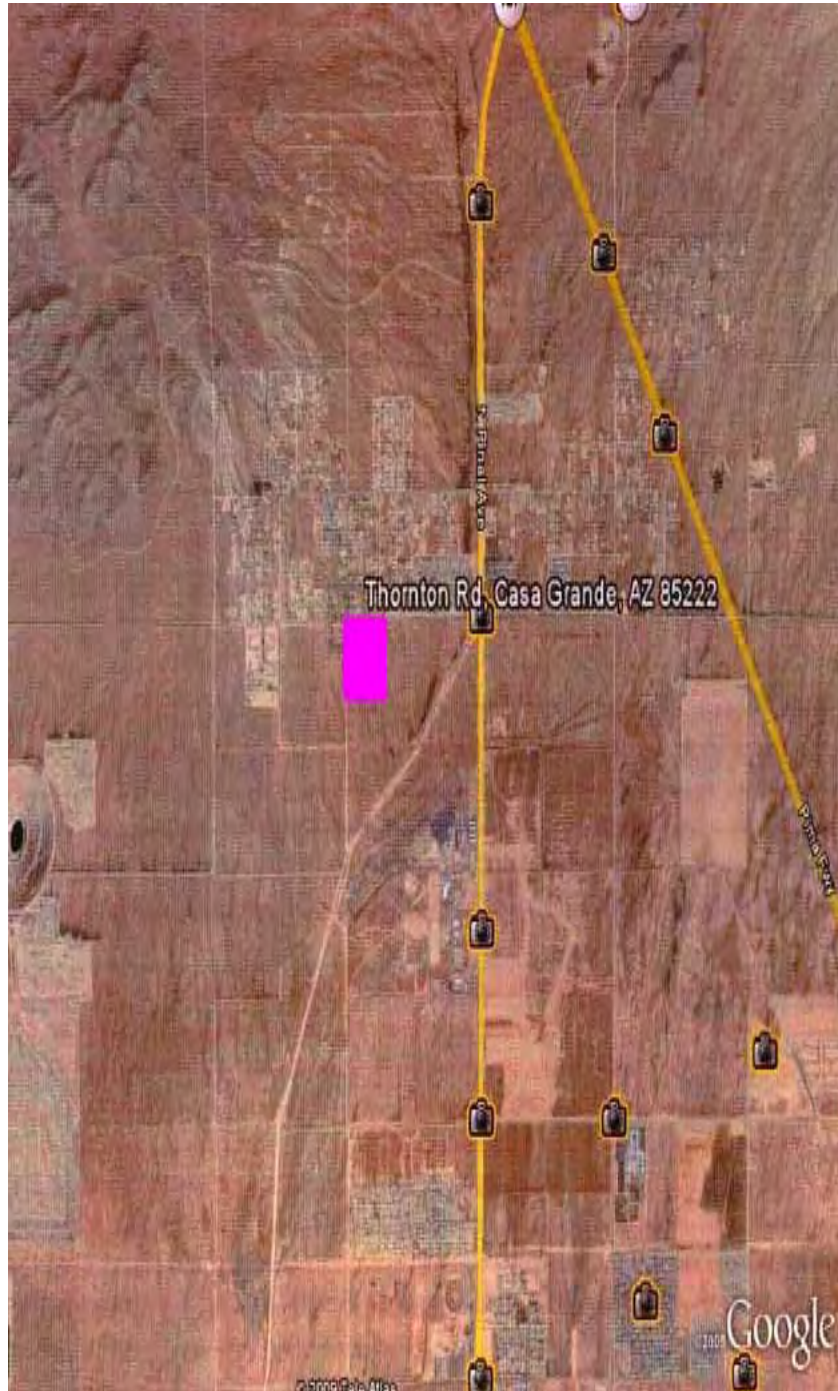
Loopnet; RealQuest; Pinal County Records

**Comments:**

This property is smaller in size and has similar zoning when compared to the subject property. This property was sold without entitlements.

## COMPARABLE LAND SALE #2 PARCEL MAP

↑  
N



<b>LAND SALE COMPARISON #3</b>
--------------------------------

<b>Location:</b>	Midway Road, Casa Grande, AZ
<b>Identification:</b>	Assessor's Parcel Number 500-19-007C Riverside Co., California.
<b>Thomas Map Guide:</b>	N/A
<b>Date of Sale:</b>	December 2008
<b>Documentation:</b>	Grant Deed recorded as Instrument N/A in Official Records, Pinal County, AZ.
<b>Buyer:</b>	Patricia Evans
<b>Seller:</b>	N/A
<b>Sale Price:</b>	\$600,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Cash
<b>Cash Equivalency:</b>	\$600,000
<b>Conditions of Sale:</b>	Arms length transaction.
<b>Market Conditions:</b>	Unstable
<b>Site Size:</b>	40 Acres
<b>Access:</b>	Good
<b>Topography:</b>	Mostly Level
<b>Building Improvements:</b>	None
<b>Utilities:</b>	All public utilities appear to be available to the site
<b>Zoning:</b>	Residential
<b>Unit Price Per Acre:</b>	\$15,000

<b>LAND SALE COMPARISON #3 CONT'D.</b>
--

**Present Use at Time  
of Sale:**

Vacant Land

**Highest and Best Use:**

Hold Near Term 2-3 Years

**Verification:**

Loopnet; RealQuest; Pinal County Records

**Comments:**

This property is similar in size when compared to the subject property. This property is zoned residential and was sold without entitlements.

# COMPARABLE LAND SALE #3 PARCEL MAP



**SEC. 13 E/2, TN.7S RG.4E**

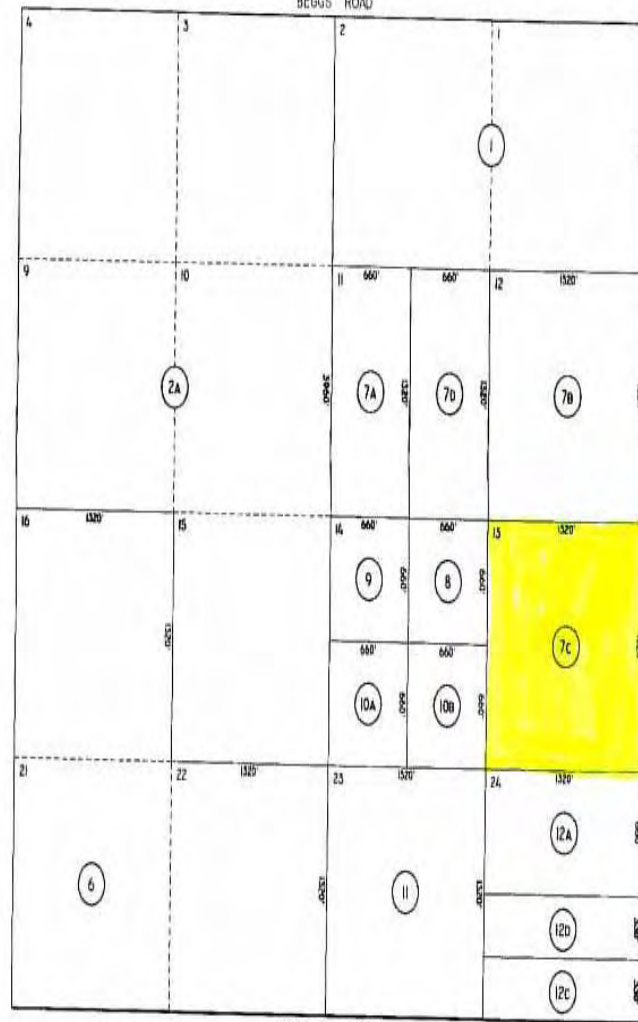
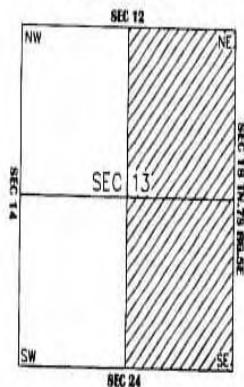
THIS MAP IS FOR TAX PURPOSES ONLY.  
THIS OFFICE WILL NOT ASSUME LIABILITY FOR  
REPRESENTATION, MEASUREMENTS OR AREA.

SEE MAP 500-17  
BEGGS ROAD

**500-19  
1/2**

SEE MAP 500-19 2/2

## VICINITY MAP



SEE BOOK 335



SCALE: 1" = 600'

7-6-2001

CONNELLEY ROAD  
SEE MAP 500-23 1/2

PINAL COUNTY ASSESSORS MAP



## LAND SALES COMPARISON GRID (FEE SIMPLE ) 40.39 Acres as of 12/31/09

FACTOR	SUBJECT	NO. 1		NO. 2		NO. 3	
Location	Battaglia Drive & Sunshire Road Eloy	Cloudview & Edgemore Gold Canyon		I-8 @ Thornton Casa Grande		S. Midway Road Casa Grande	
Date of Sale	12/31/09	11/09		9/07		12/08	
Sale Price	\$503,017	\$900,000		\$320,000		\$600,000	
Size (Acres)	40.39 Acres	40.00 Acres		20.00 Acres		40.00 Acres	
# of Paper Lots	89	160		80		160	
Price Per Paper Lot	\$5,652	\$5,625		\$4,000		\$3,750	
Price Per Acre	\$12,454	\$22,500		\$16,000		\$15,000	
CHARACTERISTIC SUBJECT							
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Financing Terms	Cash	Cash		Cash		Cash	
Conditions of Sale	Arm’s Length	Arm’s Length		Arm’s Length		Arm’s Length	
Market Conditions	Negative	Negative	-0-	Less Negative	(10%)	Less Negative	(10%)
Adjusted Price Per Acre	\$12,454	\$22,500		\$14,400		\$13,500	
PHYSICAL ADJUSTMENTS							
Size	39.47 Acres	40.00 Acres	-0-	20.00 Acres	(200)	40.00	-0-
Shape	Rectangular	Rectangular	-0-	Rectangular	-0-	Rectangular	-0-
Location	Good	Superior	(500)	Superior	(500)	Superior	(500)
Density	2/Acre	4/Acre	(1,000)	4/Acre	(1,000)	4/Acre	(1,000)
Off-Sites/Utilities	Yes	Similar	-0-	Similar	-0-	Similar	-0-
Access	Good	Good	-0-	Good	-0-	Good	-0-
Highest & Best Use	Hold Near Term Development 2-3 Years	Similar	-0-	Similar	-0-	Similar	-0-
Neighborhood Reputation	Average	Superior	(8,300)	Average	-0-	Average	-0-
Entitlements	No	No	-0-	No	-0-	No	-0-
ADJUSTMENTS							
Size	(200)	22,500		14,200		13,500	
Location	(500)	22,000		13,700		13,000	
Density	(1,000)	21,000		12,700		12,000	
Neighborhood Reputation 1 & 2	(8,300)	12,700		12,700		12,000	
Net Adjustment		(9,800)		(1,700)		(1,500)	
Adjusted Unit Price		\$12,700		\$12,700		\$12,000	
WEIGHTED VALUES							
Reliability (1-10)		8		8		8	
Contribution (%)		0.333		0.333		0.333	
Contribution (\$)	\$12,454	\$4,229		\$4,229		\$3,996	

## THE COST APPROACH

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### I. Comparable Land Sales Analysis (continued)

“The sales comparison approach may be used to value land that is actually vacant or land that is being considered as though vacant for appraisal purposes. Sales comparison is the most common technique for valuing land and it is the preferred method when comparable sales are available. To apply this method, sales of similar parcels of land are analyzed, compared and adjusted to provide a value indication for the land being appraised. In the comparison process the similarity or dissimilarity of the parcels is considered.”<sup>2</sup>

Adjustments to each of the sales is required for significant differences which effect value. “The order in which quantitative adjustments are applied to the sale prices of comparable properties” is called the sequence of adjustments. “The sequence of adjustments is determined by the market and through analysis of the data.”<sup>3</sup> Using the sequence, the appraiser obtains intermediate price figures and applies succeeding adjustments to each previously adjusted price. The adjustments applied to the price of a comparable property reflect the sale’s superiority or inferiority in regard to the real property rights conveyed, financing, conditions of sale, market conditions, location, and physical characteristics.

There are “basic elements of comparison that should always be considered in Sales Comparison Analysis”<sup>4</sup> and other physical differences. All of the sales sold as fee simple estates as arm’s length transactions and therefore, adjustments were not required for these aspects.

#### 1. Property Rights, Financing Terms and Conditions of Sale:

All comparable site sales were sold or listed as Fee Simple Estates. Financing terms for the sales represented cash or its equivalent to the sellers. Lastly, Conditions of Sale were based on an arm’s length basis. These three characteristics of the sale properties are equal to the assumptions being applied to the subject property. Consequently, no adjustments were necessary for these three characteristics of the sale properties.

#### 2. Time and Market Conditions:

Market Value estimates assume an open and competitive marketplace. Current market conditions leading up to the date of appraisal have been a period of increasing market activity. Proper analysis of sales transactions in comparison to the subject is for circumstances to parallel the definition of Market Value. To the extent that any of the conditions of a sale differ substantially from the elements in the definition, without appropriate adjustment, the transaction fails as evidence of Market Value.

The subject property is being appraised during negative market conditions. Comparable Sale #2 & #3 were sold during less negative market conditions. Therefore, a downward adjustment of 10% per acre was made to Comparable Sale #2 & #3.

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<sup>2</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 337

<sup>3</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 443

<sup>4</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 426

**THE COST APPROACH****I. Comparable Land Sales Analysis (continued)****3. Size Adjustment:**

Comparable Land Sale #2 is smaller than the subject property. Therefore, a downward adjustment of \$200 per acre was made to Comparable Land Sale #2.

**4. Location Adjustment:**

All three Comparable Sales have superior locations when compared to the subject property. Therefore, a downward adjustment of \$500 per acre was made to all three Comparable Land Sales.

**5. Off-Site Improvements Adjustment:**

All three Comparable Land Sales have similar off-site improvements. Therefore, no adjustments were made.

**6. Density Adjustment:**

All three Comparable Land Sales have higher density zoning. Therefore, a downward adjustment of \$1,000 per acre was made to all three Comparable Sales.

**7. Neighborhood Reputation Adjustment:**

A matched pair was found between Comparable Land Sale #1 & #2. They are exactly alike except Comparable Land Sale #1 has a superior neighborhood reputation. Therefore, a downward adjustment of \$8,300 per acre was made to Comparable Land Sale #1.

**8. Entitlements Adjustment:**

None of the comparable land sales were sold with entitlements. Therefore, no adjustments were made.

**Vacant Land Conclusion for 40.39 Acres (89 Paper Lots- Fee Simple):**

The land sales described in this report were representative of the current market in the subject's neighborhood. These sales allowed for derivation of market adjustments to be applied for differences between the sales and subject property. The results from the grid indicated a range of \$12,000 to \$12,700 per acre with an adjusted price per acre of \$13,454 for the subject property.

Reliability factors from 1 to 10, 10 being the most comparable, were assigned to the comparable sales. The sales were rated for reliability on the basis of size and number of adjustments. Adding these factors together and dividing individually indicated a percent contribution for each sale. Multiplying these contributions by the adjusted sale value indications per acre indicated a dollar contribution per sale. Adding these dollar contributions together indicated a dollar per acre value for the subject site. The market value indication of the site can therefore, be calculated as follows:

<b>40.39 Acres Vacant Land (143 Paper Lots)</b>	<b>X</b>	<b>\$12,454 per acre</b>	<b>=</b>	<b>\$503,017</b>
<b>"As Is" Market Value – Fee Simple (rounded)</b>			<b>=</b>	<b>\$503,000</b>

## THE COST APPROACH

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### II. Land Residual Technique ( Fee Simple) –40.89 Acres (89 Paper Lots)

#### A. Cost of Production Analysis (Per Parcel)

Production cost is the cost of construction at current prices of an exact duplicate, or replica, using the same materials, construction standards design, layout, and quality of workmanship, and embodying all the deficiencies, superadequacies, and obsolescence of the proposed subject Parcel improvements. In the analysis of the cost to develop subdivision Parcels (as if complete and ready for sale), the following have been recognized:

#### 5. The “As Is” market value of the land by Direct Sales Comparison (Per Parcel).

#### 6. Construction Costs:

- a. Hard costs: Direct development costs associated with labor and materials of construction of streets, utilities (on and off site) and any other physical improvements.
- b. Soft costs: Indirect development costs associated with non-construction items such as land planning, engineering, marketing, municipal fees, appraisal, financing fees, interest and other entitlement costs.

#### 7. Developer’s Profit: That profit level necessary to induce a typical developer to undertake the necessary approval, planning and construction to the point of completion of the Parcel subdivision of a given type.

#### 8. Cost Data Source:

Typical developer’s cost estimates, as determined by local contractor bids and developer quotes and are utilized with reference to the “Marshall Valuation Service”, published by Marshall and Swift Publication Company, is a nationally recognized cost estimating company located in Los Angeles, California. The costs calculated by this method represent a typical bidding target range. These costs are updated regularly to reflect changes and differences in construction costs by class of construction and location. This method estimates direct and indirect costs associated with construction development as noted below.

The cost of replacing a property is generally estimated on a square foot basis. The value of the land is then added to the replacement cost estimate. **This cost estimate includes the average architect’s and engineers fees, including plans, plan check, building permits and survey to establish building lines and grades; also, normal interest on building funds during the period of construction and processing fees or service charges are included as well as sales tax on materials, normal site preparation, including excavation for foundation and back-fill, as well as, utilities from structure to lot line are figured for typical set-backs. The contractor’s overhead and profit, including job supervision, workmen’s compensation, fire and liability insurance, unemployment insurance and so forth are all included.**

## **THE COST APPROACH**

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### **II. Land Residual Technique ( Fee Simple)**

#### **A. Cost of Production Analysis (continued)**

##### **4. Cost Data Source: (continued)**

All other hard and soft costs to develop the land from its “as is” status will be taken into consideration in the cost of production. Additional costs, not included in the Valuation Service, such as entrepreneurial profit, are estimated and are being included as additional indirect costs.”

##### **5. Improvement Valuation (Per Parcel)**

The developer’s cost estimates will be utilized to develop the cost of production cost estimate as cross-referenced by “The Marshall Valuation Service.”

**THE COST APPROACH****II. Land Residual Technique (Fee Simple - continued)****A. Cost of Production Analysis Calculations for 89 Residential Lots****Developer's Cost of Production Analysis (To Completion but Prior to Sell Off)**

<b>Hard Cost</b>		<b>Subtotal</b>	<b>Total</b>
• <b>Off-Site Street Improvements</b>	<b>Included</b>		
• <b>On-Site</b> (cost to produce 89 Finished Lots)	<b>\$1,335,000</b>		
<b>Subtotal On-Site Costs</b>	\$1,335,000		
<b>Total of Hard Costs</b>		<b>\$1,335,000</b>	
<b>Soft Costs</b> (not already included in hard costs)	\$100,000		
<b>Total Soft Cost</b>	\$100,000	<b>\$100,000</b>	
<b>Total Hard &amp; Soft Costs</b>			<b>\$1,435,000</b>
Developer's Incentive (10% of Hard and Soft Costs)		<b>\$143,500</b>	
<b>Total Development Costs</b>			<b>\$1,578,500</b>
Plus: Land Value (40.39 Acres)*	\$503,000		
Plus: Developer's Incentive (10% of Land Value)	\$50,300		
Market Value Indication Via Cost of Production for 89 Finished Lots			\$2,131,800
<b>Rounded Bulk or Wholesale Value Indication for 89 Finished Lots</b>			<b>\$2,132,000</b>

It is concluded that the wholesale or bulk market value indication by the cost approach of the subject 89 Finished Lots "as if complete" is as follows:

<b>TOTAL WHOLESALE OR BULK VALUE BY COST</b>	<b>\$2,131,800</b>
<b>TOTAL VALUE INDICATION FOR SUBJECT 89 Finished Residential Lots (rounded)</b>	<b>\$2,132,000</b>

**\*The reader will note the prospective cost of production as of 12/31/12 is \$2,772,000. The difference between the current cost of production and the prospective cost of production is due to a mark-up on the land during the 3 year holding period.**



**LAND RESIDUAL TECHNIQUE**

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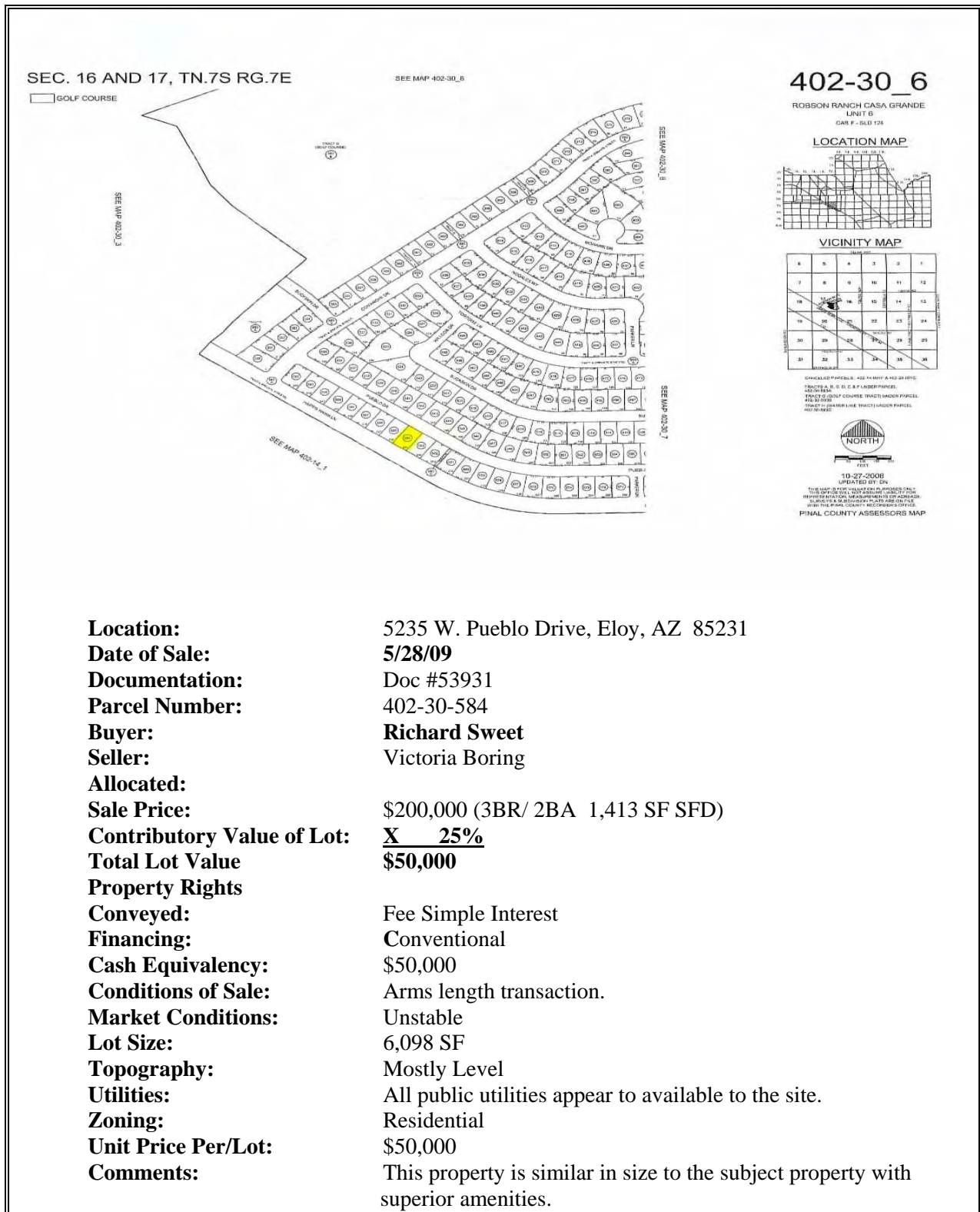
**I. Sales Comparison Approach for the Aggregate Retail of 89 Finished Lots (Fee Simple)**

I have searched the market for similar land sales and listings in the subject's district and have specifically researched those areas near the subject property. Special emphasis was given to sales that were considered competitive with the subject property. I have judged that the following sales will offer objective support for the value of the subject property.

Following is the physical data of these sales along with the comparison grid and the appraiser's analysis of adjustments made in the grid.

## COMPARABLE LOT SALES MAP



**FINISHED LOT SALE COMPARISON #1 (Allocation)**

**FINISHED LOT SALE COMPARISON #2 (Allocation)**

SEC. 16 AND 17, TN.7S RG.7E

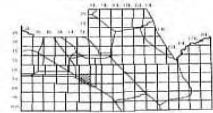
GOLF COURSE

SEE MAP 402-30\_8

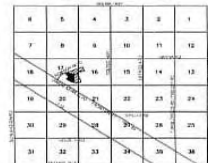
SEE MAP 402-30\_3

**402-30\_6**ROBSON RANCH CASA GRANDE  
UNIT 6  
CAB. F - 50.0 124

LOCATION MAP



VICINITY MAP



CONSIDERED PARCELS: 402-14-1 & 402-30-7  
 TRACTS A, B, C, D, E & F (NO. 1000 PARCELS)  
 402-30-6  
 TRACTS G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z  
 TRACTS 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100



10-27-2008

UPDATED BY: CN

THIS MAP IS FOR INFORMATIONAL PURPOSES ONLY.  
 IT IS NOT TO BE USED FOR ANY PURPOSES OTHER THAN  
 THE PURPOSES FOR WHICH IT WAS PREPARED.  
 THE PREPARED MAPS, AND ANY INFORMATION THEREON,  
 ARE NOT TO BE USED FOR ANY PURPOSES OTHER THAN  
 THE PURPOSES FOR WHICH THEY WERE PREPARED.  
 PINAL COUNTY ASSESSORS' MAP

<b>Location:</b>	5144 W. Nogales Way. Eloy, AZ 85231
<b>Date of Sale:</b>	<b>9/10/09</b>
<b>Documentation:</b>	Doc #94702
<b>Parcel Number:</b>	402-30-418
<b>Buyer:</b>	<b>Duane Wallin</b>
<b>Seller:</b>	Douglas Crinklaw
<b>Allocated:</b>	
<b>Sale Price:</b>	\$205,000 (3BR/ 2BA 1,724 SF SFD)
<b>Contributory Value of Lot:</b>	<u><b>X 25%</b></u>
<b>Total Lot Value</b>	<b>\$51,250</b>
<b>Property Rights</b>	
<b>Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Conventional
<b>Cash Equivalency:</b>	\$51,250
<b>Conditions of Sale:</b>	Arms length transaction.
<b>Market Conditions:</b>	Unstable
<b>Lot Size:</b>	7,841 SF
<b>Topography:</b>	Mostly Level
<b>Utilities:</b>	All public utilities appear to available to the site.
<b>Zoning:</b>	Residential
<b>Unit Price Per/Lot:</b>	\$51,250
<b>Comments:</b>	This property is larger in size compared to the subject property with superior amenities.



**THE INCOME APPROACH****FINISHED LOT SALES COMPARISON GRID (As of 12/31/12)**

FACTOR	SUBJECT	NO. 1		NO. 2		NO. 3	
Location	Battaglia Drive Eloy, AZ	5235 W. Pueblo Dr. Eloy, AZ		5144 W. Nogales		5271 N. Gila Trail Eloy, AZ	
Date of Sale	12/31/12	5/28/09		10/15/09		9/10/09	
Sale Price	\$44,456	\$50,000		\$51,250		\$53,750	
Lot Size	8,450 SF	6,098 SF		7,841 SF		7,405 SF	
Price per Lot	\$44,456	\$50,000		\$51,250		\$53,750	
CHARACTERISTIC SUBJECT							
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Financing Terms	Cash	Cash		Cash		Cash	
Conditions of Sale	Arm's Length	Arm's Length		Arm's Length		Arm's Length	
Market Conditions	Prospective Stable	Negative	+10%	Negative	+10%	Negative	+10%
Adjusted Price/Lot	\$44,456	\$55,000		\$56,375		\$59,125	
PHYSICAL ADJUSTMENTS							
Size	8,450 SF	6,098 SF	+5,000	7,841 SF	+1,000	7,405 SF	+2,000
Location	Good	Similar	-0-	Similar	-0-	Similar	-0-
View	Good	Superior	(5,000)	Superior	(5,000)	Superior	(5,000)
Location within the subdivision	Average	Average	-0-	Average	-0-	Average	-0-
Amenities	Yes	Superior	(10,000)	Superior	(10,000)	Superior	(10,000)
ADJUSTMENTS							
Size	+5,000; +2,000; +1,000	60,000		57,375		61,125	
Amenities	(10,000)	50,000		47,375		51,125	
View	(5,000)	45,000		42,375		46,125	
Net Adjustment		(10,000)		(14,000)		(13,000)	
Adjusted Unit Price	\$44,456	\$45,000		\$42,375		\$46,125	
WEIGHTED VALUES							
Reliability (1-10)		8		8		8	
Contribution (%)		0.333		0.333		0.333	
Contribution (\$)	\$44,456	\$14,985		\$14,111		\$15,360	



## THE INCOME APPROACH

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### THE SALES COMPARISON APPROACH TO VALUE (continued)

#### A. Typical Finished Lot Value Analysis (continued)

##### 1. Sales Comparison Analysis

###### a. Property Rights, Financing Terms and Conditions of Sale:

All comparable site sales were sold or listed as Fee Simple Estates. Financing terms for the sales represented cash or its equivalent to the sellers. Lastly, Conditions of Sale were based on an arm's length basis. These three characteristics of the sale properties are equal to the assumptions being applied to the subject property. Consequently, no adjustments were necessary for these three characteristics of the sale properties.

###### b. Time and Market Conditions:

Market Value estimates assume an open and competitive marketplace. Current market conditions leading up to the date of appraisal have been a period of increasing market activity. Proper analysis of sales transactions in comparison to the subject is for circumstances to parallel the definition of Market Value. To the extent that any of the conditions of a sale differ substantially from the elements in the definition, without appropriate adjustment, the transaction fails as evidence of Market Value. The subject property is being appraised as of a prospective date of 12/31/2012 at which time market participants are predicting stable market conditions. All three comparable lot sales were also sold during negative market conditions. Therefore, adjustments were made according to dates of sale.

###### c. Size Adjustment:

All three Comparable Lot Sales are smaller than the subject. Therefore, upward adjustments were made to all three Comparable Lot Sales according to size.

###### d. Amenities Adjustment:

All three Comparable Lot Sales have superior amenities when compared to the subject property. Therefore, a downward adjustment of \$10,000 per lot was made to all three Comparable Lot Sales.

###### e. View Adjustment:

All three Comparable Lot Sales have superior views. Therefore, a downward adjustment of \$5,000 per lot was made to all three Comparable Lot Sales.

###### f. Location with the Subdivision Adjustment:

All three Comparable lot sales have similar locations within the subdivision. Therefore, no adjustments were necessary.

**THE INCOME APPROACH****THE SALES COMPARISON APPROACH TO VALUE (continued)****A. Typical Finished Lot Value Analysis (continued)****2. Finished Lot Value Conclusion**

The lot sales described in this report were representative of the current market in the subject's neighborhood. These sales allowed for derivation of market adjustments to be applied for differences between the sales and subject property. The results from the grid indicated a range of \$42,375 to \$46,125 per lot with an adjusted price per lot of \$44,456 for the subject site.

Reliability factors from 1 to 10, 10 being the most comparable, were assigned to the comparable sales. The sales were rated for reliability on the basis of size and number of adjustments. Adding these factors together and dividing individually indicated a percent contribution for each sale. Multiplying these contributions by the adjusted sale value indications per acre indicated a dollar contribution per sale. Adding these dollar contributions together indicated a dollar per lot value for the subject site. The market value indication of the typical finished lot can therefore, be calculated as follows:

<b>Per Typical Lot Value Indication by Comparable Sales Analysis</b>	<b>=</b>	<b>\$44,456</b>
<b>FINISHED LOT MARKET VALUE INDICATION BY COMPARABLE SALES (Rounded)</b>	<b>=</b>	<b>\$44,456</b>

Therefore, it is my opinion that the aggregate "retail" market value of the fee simple interest for the subject's 89 lots December 31, 2009 if sold to individual purchasers, as of December 31, 2009, is as follows:

<b>AGGREGATE RETAIL OF 89 LOTS</b>	<b>X</b>	<b>\$44,456</b>	<b>=</b>	<b>\$3,957,000</b>
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**\$3,957,000 (\$44,456/Finished Lot)**

**(THREE MILLION NINE HUNDRED FIFTY SEVEN THOUSAND DOLLARS)**

## THE INCOME APPROACH

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### **D. Discounted Cash Flow Analysis to solve for the Bulk or Wholesale Market Value of 89 Finished Lots**

The method is referred to as yield capitalization because it analyzes whether an investment property will produce the particular level of profit or yield required. The discounted cash flow assumptions are contained below.

#### **Discounted Cash Flow and Land Residual Assumptions**

<b>Date of Appraisal:</b>		December 31, 2009
Holding Period:		6 Years ; From Completion to Sell-Out
Number of Lots	89	
Average Price Per Lot	\$44,456	
Absorption per year	36	
Total Aggregate Retail	\$3,957,000	Aggregate Retail Value
Annual Appreciation	-0-	CPI & Inflation as offset
Appreciation Rate	-0-	CPI & Inflation as offset
Present Value Factor		11% Bulk; 10% Land Residual

#### **1. Discounted Cash Flow Calculations**

The following pages contain discounted cash flow income and expense calculations related to the subject's 89 finished lots "as if complete" and ready for sale upon the effective date of the appraisal. These calculations will also produce the "As Is" market value of the 40.39 Acres.

**THE INCOME APPROACH**

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**C. As if Complete Bulk or Wholesale Value of the 89 Finished Vacant Lots  
As of 12/31/09 (continued).**

INSERT DISCOUNTED CASH FLOW HERE

**THE INCOME APPROACH**

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**C. "As Is" Vacant Land Market Value of 40.39 Acres as of 12/31/09 (continued)**

INSERT DISCOUNTED CASH FLOW HERE

**THE INCOME APPROACH****D. "Prospective As If Complete" Bulk or Wholesale Market Value of 89 Finished Lots as of 12/31/12**

		2012	2013	2014	
Income/Expense per Month		1st Year	2nd Year	3rd Year	Total
INCOME:					
Average Lot Value	\$44,456				
Number of Lots to Sell		89	53	17	
Number of Lots Sold		36.00	36.00	17.00	
Lots Remaining		53.00	17.00	0.00	
Effective Gross Income		\$1,600,416	\$1,600,416	\$755,752	\$3,956,584
EXPENSES:					
Property Taxes	1.10%	\$17,605	\$17,605	\$8,313	\$35,209
HOA Dues/Maintenance	\$1,200	\$63,600	\$20,400	\$0	\$84,000
Insurance		\$10,000	\$10,000	\$10,001	\$20,000
Legal/Accounting/Closing	1.00%	\$16,004	\$16,004	\$7,558	\$32,008
Commissions	2.00%	\$32,008	\$32,008	\$15,115	\$64,017
Marketing	1.50%	\$24,006	\$24,006	\$11,336	\$48,012
Soft Costs	\$100,000	\$0	\$0	\$0	\$0
Hard Costs	\$1,335,000	\$0	\$0	\$0	\$0
Developer's Incentive	\$206,000	\$0	\$0	\$0	\$0
Developer's Profit	\$275,000	\$137,500	\$137,500	\$137,500	\$275,000
Total Expenses		\$300,723	\$257,523	\$189,823	\$558,247
Net Sale Proceeds		\$1,299,693	\$1,342,893	\$565,929	\$2,642,585
Discount Rate(Does Not Include Developer's Profit)	9%	0.921659	0.849455	0.782908	
Negative Cash Flow Discount Rate	6%	0.943396	0.889996	0.839619	
Present Value of Equity		\$1,197,873	\$1,140,727	\$443,070	\$2,338,601
Cumulative Total		\$1,197,873	\$2,338,601	\$2,781,671	
Bulk or Wholesale Market Value	\$2,781,671				
Bulk or Wholesale Market Value	\$2,782,000				
Value Per Lot	\$31,258				



**RECONCILIATION****III. RECONCILIATION AND FINAL ESTIMATE OF VALUE (Fee Simple)**

- **“As Is” Market Value Land Residual Technique** **\$528,000**
- **“As Is” Market Value Sales Comparison Approach** **\$503,000**

Reconciliation involves analysis of the quantity and quality of all data in the report. The advantages, relevance, and market support for each of the approaches to value was considered. Conclusions were derived throughout the report explaining any discrepancies using reasonable judgment, tying it all together and relating the results to the subject property. Because the real estate market is imperfect, complete agreement of the approaches is not necessary. However, reasonable conclusions were reached using the groundwork established in the appraisal report.

The purpose of this appraisal is to estimate and report my opinion of the subject property's “As Is” MARKET VALUE of the 40.39 acres (89 Paper Lots) if it were sold to an individual buyer.

A thorough search was conducted in the local Multiple Listings Service, First American Title Loopnet, and Real Quest for any evidence of vacant residential land market value during the past 18 months.

Therefore, based upon my investigation and analysis of the data gathered with respect to this assignment, I have formed the opinion that the “As Is” MARKET VALUE of the subject property, as of the effective date December 31, 2009, is measured in the amount of:

**\$525,000 (\$5,899/Paper Lot - \$12,998/Acre)**

**(FIVE HUNDRED TWENTY FIVE THOUSAND DOLLARS)**

Reasonable exposure time necessary to sell this property to a single purchaser prior to the date of this appraisal is estimated to be 8 to 10 months.

13.42 ACRES – 120 PAPER LOTS  
("As Is" MARKET VALUE)

*Esperanza*

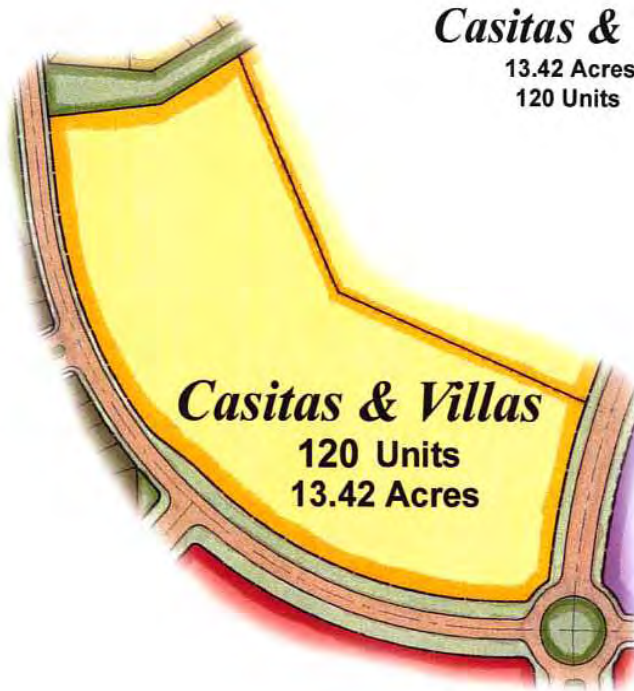


EXHIBIT 11

## THE SALES COMPARISON APPROACH

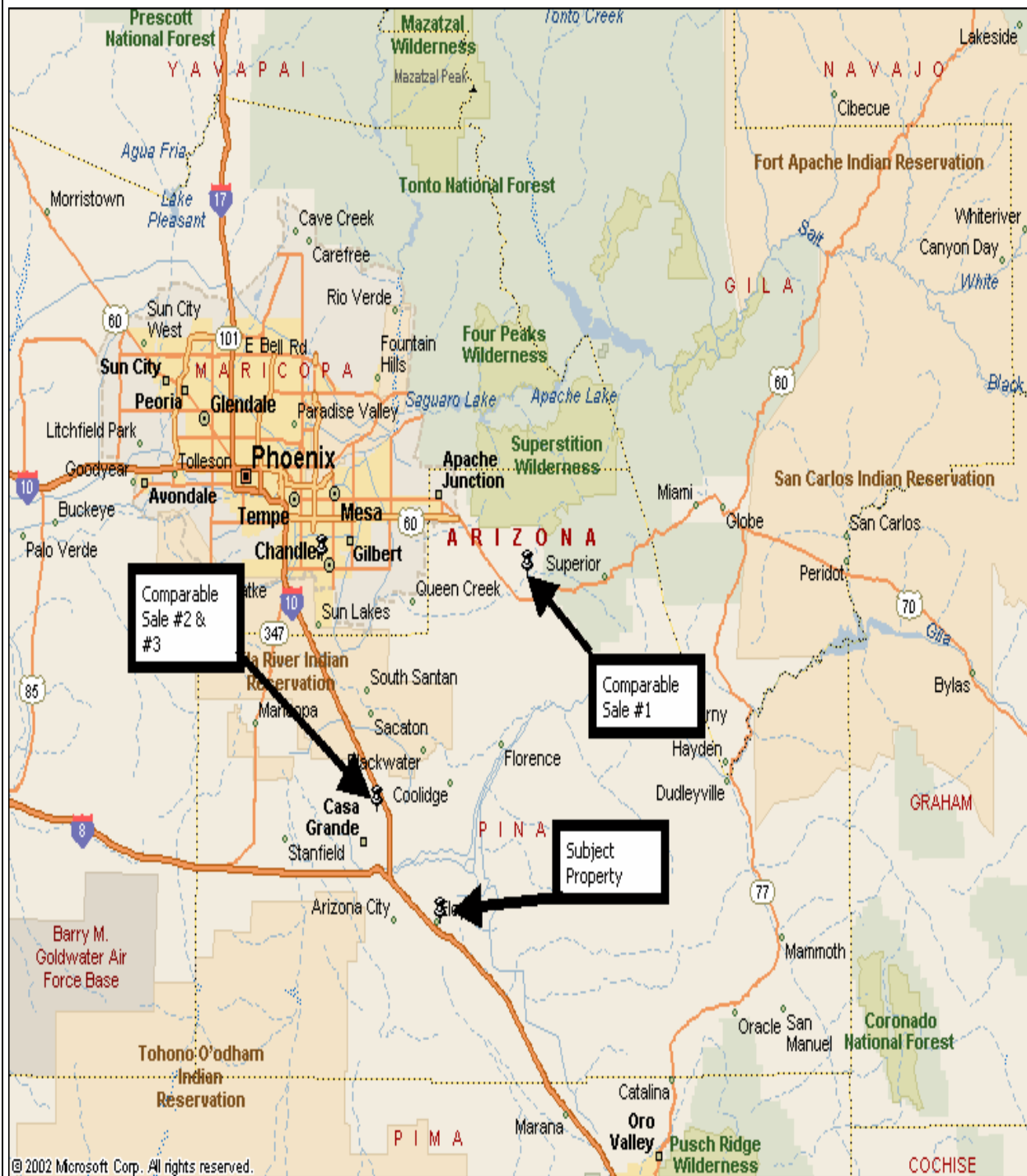
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### **I. "As Is" Market Value of 13.42 Acres (120 Paper Lots) (Fee Simple)**

I have searched the market for similar land sales and listings in the subject's district and have specifically researched those areas near the subject property. Special emphasis was given to sales that were considered competitive with the subject property. I have judged that the following sales will offer objective support for the value of the subject property.

Following is the physical data of these sales along with the comparison grid and the appraiser's analysis of adjustments made in the grid.

# COMPARABLE LAND SALES MAP (FEE SIMPLE)



<b>LAND SALE COMPARISON #1</b>
--------------------------------

<b>Location:</b>	NWC Cloudview & Edgemore, Gold Canyon, AZ
<b>Identification:</b>	Assessor's Parcel Numbers: #104-50-100A Pinal County, AZ
<b>Thomas Map Guide:</b>	N/A
<b>Date of Sale:</b>	11/09
<b>Documentation:</b>	Instrument No. 44702 Official Records, Pinal County, AZ.
<b>Buyer:</b>	Goldford Mahaffy
<b>Seller:</b>	M & I Marshall
<b>Sale Price:</b>	\$900,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Conventional
<b>Cash Equivalency:</b>	\$900,000
<b>Conditions of Sale:</b>	Arms Length
<b>Market Conditions:</b>	Stable
<b>Site Size:</b>	40 Acres
<b>Access:</b>	Good
<b>Topography:</b>	Mostly Level
<b>Building Improvements:</b>	None
<b>Utilities:</b>	Public utilities appear to be available to the site
<b>Zoning:</b>	Residential
<b>Price Per Acre:</b>	\$22,500/Acre

<b>LAND SALE COMPARISON #1 CONT'D.</b>
--

**Present Use at Time  
of Sale:**

Vacant Land

**Highest and Best Use:**

Hold for Near Term Development 3-5 Years

**Verification:**

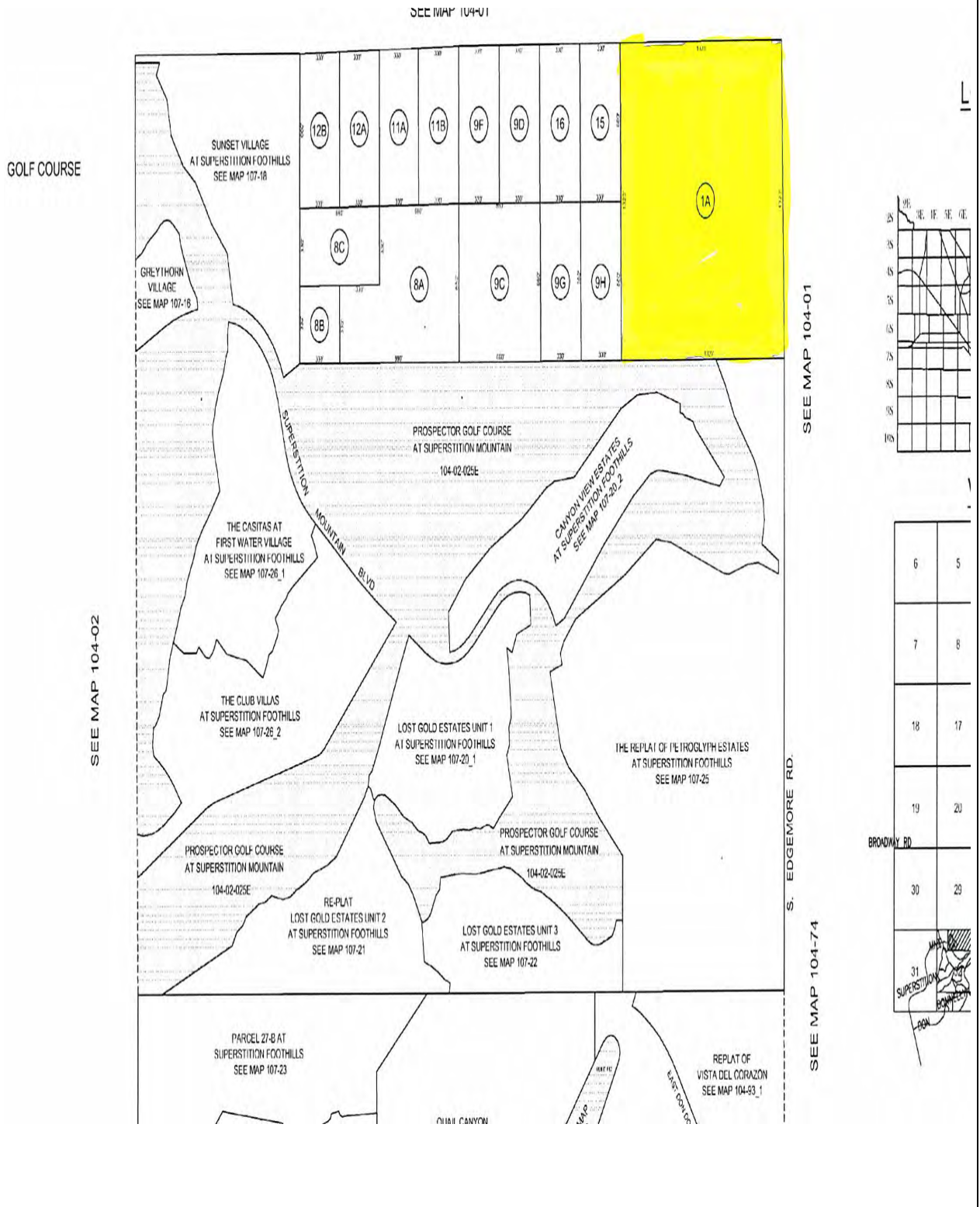
Loopnet; RealQuest; Pinal County Records

**Comments:**

This property is similar in size when compared to the subject property and has similar zoning. This property was sold without entitlements.



# COMPARABLE LAND SALE #1 PARCEL MAP



<b>LAND SALE COMPARISON #2</b>
--------------------------------

<b>Location:</b>	187 and Thronton, Casa Grande, AZ
<b>Identification:</b>	Assessor's Parcel Number 511-80-015 Pinal County, Arizona.
<b>Thomas Map Guide:</b>	N/A
<b>Date of Sale:</b>	9/07
<b>Documentation:</b>	Documentation Number, N/A Pinal County, AZ.
<b>Buyer:</b>	Amed Moorand
<b>Seller:</b>	N/A
<b>Sale Price:</b>	\$320,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Cash
<b>Cash Equivalency:</b>	\$320,000
<b>Conditions of Sale:</b>	Arms length transaction.
<b>Market Conditions:</b>	Stable
<b>Site Size:</b>	20 Acres
<b>Access:</b>	Good
<b>Topography:</b>	Mostly Level
<b>Building Improvements:</b>	None
<b>Utilities:</b>	All public utilities appear to be available to the sight But not warranted.
<b>Zoning:</b>	Residential
<b>Unit Price Per Acre:</b>	\$16,000/Acre

<b>LAND SALE COMPARISON #2 CONT'D.</b>
--

**Present Use at Time  
of Sale:**

Vacant Land

**Highest and Best Use:**

Near Term Development 2-3 Years

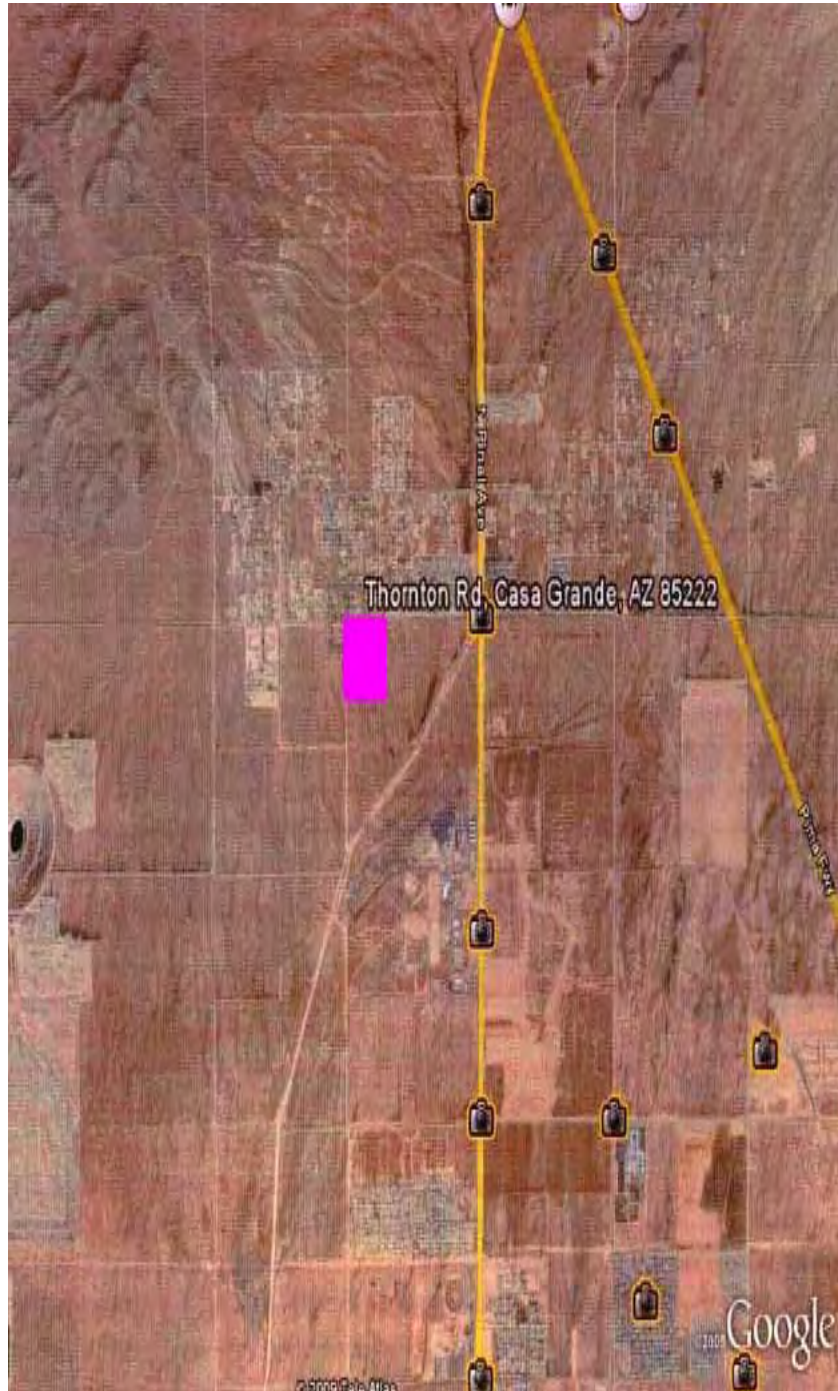
**Verification:**

Loopnet; RealQuest; Pinal County Records

**Comments:**

This property is smaller in size and has similar zoning when compared to the subject property. This property was sold without entitlements.

## COMPARABLE LAND SALE #2 PARCEL MAP



<b>LAND SALE COMPARISON #3</b>
--------------------------------

<b>Location:</b>	Midway Road, Casa Grande, AZ
<b>Identification:</b>	Assessor's Parcel Number 500-19-007C Riverside Co., California.
<b>Thomas Map Guide:</b>	N/A
<b>Date of Sale:</b>	December 2008
<b>Documentation:</b>	Grant Deed recorded as Instrument N/A in Official Records, Pinal County, AZ.
<b>Buyer:</b>	Patricia Evans
<b>Seller:</b>	N/A
<b>Sale Price:</b>	\$600,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Cash
<b>Cash Equivalency:</b>	\$600,000
<b>Conditions of Sale:</b>	Arms length transaction.
<b>Market Conditions:</b>	Unstable
<b>Site Size:</b>	40 Acres
<b>Access:</b>	Good
<b>Topography:</b>	Mostly Level
<b>Building Improvements:</b>	None
<b>Utilities:</b>	All public utilities appear to be available to the site
<b>Zoning:</b>	Residential
<b>Unit Price Per Acre:</b>	\$15,000

<b>LAND SALE COMPARISON #3 CONT'D.</b>
--

**Present Use at Time  
of Sale:**

Vacant Land

**Highest and Best Use:**

Hold Near Term 2-3 Years

**Verification:**

Loopnet; RealQuest; Pinal County Records

**Comments:**

This property is similar in size when compared to the subject property. This property is zoned residential and was sold without entitlements.



# COMPARABLE LAND SALE #3 PARCEL MAP



**SEC. 13 E/2, TN.7S RG.4E**

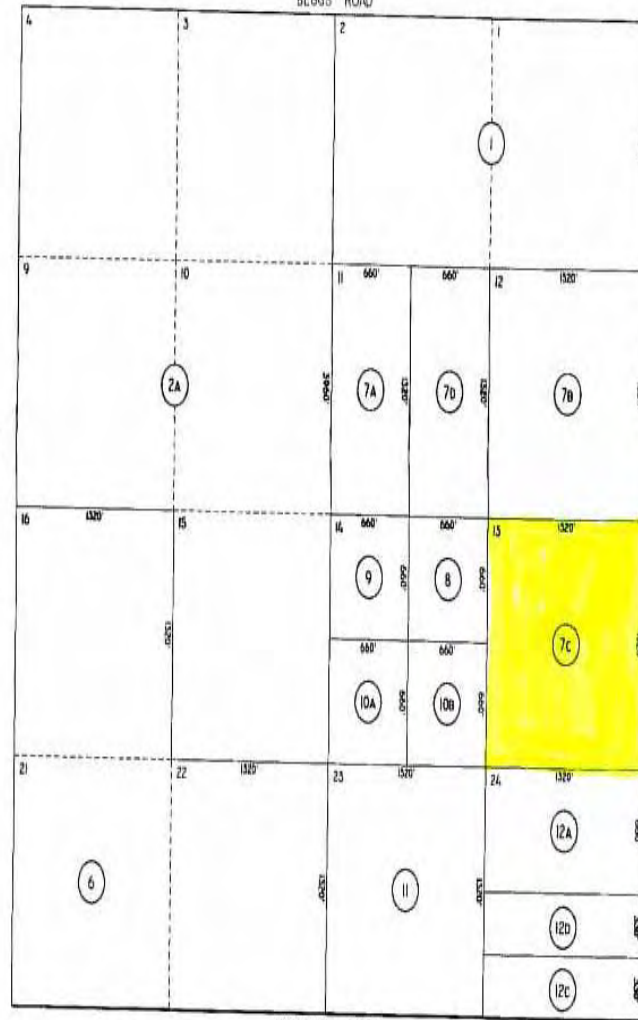
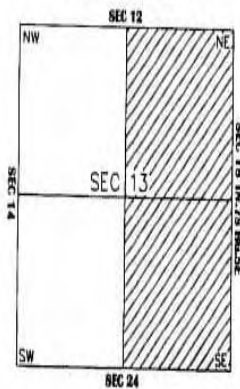
THIS MAP IS FOR TAX PURPOSES ONLY.  
THIS OFFICE WILL NOT ASSUME LIABILITY FOR  
REPRESENTATION, MEASUREMENTS OR AREA.

SEE MAP 500-17  
BEGGS ROAD

**500-19  
1/2**

SEE MAP 500-19 2/2

## VICINITY MAP



SEE BOOK 335



SCALE: 1" = 600'

7-6-2001

CONNELLY ROAD  
SEE MAP 500-23 1/2

PINAL COUNTY ASSESSORS MAP



**LAND SALES COMPARISON GRID (FEE SIMPLE ) 37.47 Acres as of  
12/31/09**

FACTOR	SUBJECT	NO. 1		NO. 2		NO. 3	
Location	Battaglia Drive & Sunshire Road Eloy	Cloudview & Edgemore Gold Canyon		I-8 @ Thornton Casa Grande		S. Midway Road Casa Grande	
Date of Sale	12/31/09	11/09		9/07		12/08	
Sale Price	\$212,707	\$900,000		\$320,000		\$600,000	
Size (Acres)	13.42 Acres	40.00 Acres		20.00 Acres		40.00 Acres	
# of Paper Lots	120	160		80		160	
Price Per Paper Lot	\$1,772	\$5,625		\$4,000		\$3,750	
Price Per Acre	\$15,850	\$22,500		\$16,000		\$15,000	
CHARACTERISTIC SUBJECT							
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Financing Terms	Cash	Cash		Cash		Cash	
Conditions of Sale	Arm's Length	Arm's Length		Arm's Length		Arm's Length	
Market Conditions	Negative	Negative	-0-	Less Negative	(10%)	Less Negative	(10%)
Adjusted Price Per Acre	\$15,850	\$22,500		\$14,400		\$13,500	
PHYSICAL ADJUSTMENTS							
Size	13.42 Acres	40.00 Acres	+400	20.00 Acres	+200	40.00	+400
Shape	Rectangular	Rectangular	-0-	Rectangular	-0-	Rectangular	-0-
Location	Good	Superior	(500)	Superior	(500)	Superior	(500)
Density	10/Acre	4/Acre	+2,000	4/Acre	+2,000	4/Acre	2,000
Off-Sites/Utilities	Yes	Similar	-0-	Similar	-0-	Similar	-0-
Access	Good	Good	-0-	Good	-0-	Good	-0-
Highest & Best Use	Hold Near Term Development 2-3 Years	Similar	-0-	Similar	-0-	Similar	-0-
Neighborhood Reputation	Average	Superior	(8,300)	Average	-0-	Average	-0-
Entitlements	No	No	-0-	No	-0-	No	-0-
ADJUSTMENTS							
Size	+200; +400	22,900		14,600		13,900	
Location	(500)	22,400		14,100		13,400	
Density	+2,000	24,400		16,100		15,400	
Neighborhood Reputation 1 & 2	(8,300)	16,100		16,100		15,400	
Net Adjustment		(6,400)		+1,700		+1,900	
Adjusted Unit Price		\$16,100		\$16,100		\$15,400	
WEIGHTED VALUES							
Reliability (1-10)		8		8		8	
Contribution (%)		0.333		0.333		0.333	
Contribution (\$)	\$15,850	\$5,361		\$5,361		\$5,128	

## THE COST APPROACH

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### I. Comparable Land Sales Analysis (continued)

“The sales comparison approach may be used to value land that is actually vacant or land that is being considered as though vacant for appraisal purposes. Sales comparison is the most common technique for valuing land and it is the preferred method when comparable sales are available. To apply this method, sales of similar parcels of land are analyzed, compared and adjusted to provide a value indication for the land being appraised. In the comparison process the similarity or dissimilarity of the parcels is considered.”<sup>2</sup>

Adjustments to each of the sales is required for significant differences which effect value. “The order in which quantitative adjustments are applied to the sale prices of comparable properties” is called the sequence of adjustments. “The sequence of adjustments is determined by the market and through analysis of the data.”<sup>3</sup> Using the sequence, the appraiser obtains intermediate price figures and applies succeeding adjustments to each previously adjusted price. The adjustments applied to the price of a comparable property reflect the sale’s superiority or inferiority in regard to the real property rights conveyed, financing, conditions of sale, market conditions, location, and physical characteristics.

There are “basic elements of comparison that should always be considered in Sales Comparison Analysis”<sup>4</sup> and other physical differences. All of the sales sold as fee simple estates as arm’s length transactions and therefore, adjustments were not required for these aspects.

#### 1. Property Rights, Financing Terms and Conditions of Sale:

All comparable site sales were sold or listed as Fee Simple Estates. Financing terms for the sales represented cash or its equivalent to the sellers. Lastly, Conditions of Sale were based on an arm’s length basis. These three characteristics of the sale properties are equal to the assumptions being applied to the subject property. Consequently, no adjustments were necessary for these three characteristics of the sale properties.

#### 2. Time and Market Conditions:

Market Value estimates assume an open and competitive marketplace. Current market conditions leading up to the date of appraisal have been a period of increasing market activity. Proper analysis of sales transactions in comparison to the subject is for circumstances to parallel the definition of Market Value. To the extent that any of the conditions of a sale differ substantially from the elements in the definition, without appropriate adjustment, the transaction fails as evidence of Market Value.

The subject property is being appraised during negative market conditions. Comparable Sale #2 & #3 were sold during less negative market conditions. Therefore, a downward adjustment of 10% per acre was made to Comparable Sale #2 & #3.

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<sup>2</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 337

<sup>3</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 443

<sup>4</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 426

**THE COST APPROACH****I. Comparable Land Sales Analysis (continued)****3. Size Adjustment:**

All three Comparable Sales are larger than the subject property. Therefore, adjustments were made according to size.

**4. Location Adjustment:**

All three Comparable Sales have superior locations when compared to the subject property. Therefore, a downward adjustment of \$500 per acre was made to all three Comparable Land Sales.

**5. Off-Site Improvements Adjustment:**

All three Comparable Land Sales have similar off-site improvements. Therefore, no adjustments were made.

**6. Density Adjustment:**

All three Comparable Land Sales have higher density zoning. Therefore, a downward adjustment of \$2,000 per acre was made to all three Comparable Sales.

**7. Neighborhood Reputation Adjustment:**

A matched pair was found between Comparable Land Sale #1 & #2. They are exactly alike except Comparable Land Sale #1 has a superior neighborhood reputation. Therefore, a downward adjustment of \$8,300 per acre was made to Comparable Land Sale #1.

**8. Entitlements Adjustment:**

None of the comparable land sales were sold with entitlements. Therefore, no adjustments were made.

**Vacant Land Conclusion for 13.42 Acres (120 Paper Lots- Fee Simple):**

The land sales described in this report were representative of the current market in the subject's neighborhood. These sales allowed for derivation of market adjustments to be applied for differences between the sales and subject property. The results from the grid indicated a range of \$15,400 to \$16,100 per acre with an adjusted price per acre of \$15,850 for the subject property.

Reliability factors from 1 to 10, 10 being the most comparable, were assigned to the comparable sales. The sales were rated for reliability on the basis of size and number of adjustments. Adding these factors together and dividing individually indicated a percent contribution for each sale. Multiplying these contributions by the adjusted sale value indications per acre indicated a dollar contribution per sale. Adding these dollar contributions together indicated a dollar per acre value for the subject site. The market value indication of the site can therefore, be calculated as follows:

<b>13.42 Acres Vacant Land (143 Paper Lots)</b>	<b>X</b>	<b>\$15,850 per acre</b>	<b>=</b>	<b>\$212,707</b>
<b>"As Is" Market Value – Fee Simple (rounded)</b>			<b>=</b>	<b>\$213,000</b>

## THE COST APPROACH

### I. Land Residual Technique ( Fee Simple) –13.42 Acres (120 Paper Lots)

#### A. Cost of Production Analysis (Per Parcel)

Production cost is the cost of construction at current prices of an exact duplicate, or replica, using the same materials, construction standards design, layout, and quality of workmanship, and embodying all the deficiencies, superadequacies, and obsolescence of the proposed subject Parcel improvements. In the analysis of the cost to develop subdivision Parcels (as if complete and ready for sale), the following have been recognized:

#### 9. The “As Is” market value of the land by Direct Sales Comparison (Per Parcel).

#### 10. Construction Costs:

- a. Hard costs: Direct development costs associated with labor and materials of construction of streets, utilities (on and off site) and any other physical improvements.
- b. Soft costs: Indirect development costs associated with non-construction items such as land planning, engineering, marketing, municipal fees, appraisal, financing fees, interest and other entitlement costs.

**11. Developer’s Profit:** That profit level necessary to induce a typical developer to undertake the necessary approval, planning and construction to the point of completion of the Parcel subdivision of a given type.

#### 12. Cost Data Source:

Typical developer’s cost estimates, as determined by local contractor bids and developer quotes and are utilized with reference to the “Marshall Valuation Service”, published by Marshall and Swift Publication Company, is a nationally recognized cost estimating company located in Los Angeles, California. The costs calculated by this method represent a typical bidding target range. These costs are updated regularly to reflect changes and differences in construction costs by class of construction and location. This method estimates direct and indirect costs associated with construction development as noted below.

The cost of replacing a property is generally estimated on a square foot basis. The value of the land is then added to the replacement cost estimate. **This cost estimate includes the average architect’s and engineers fees, including plans, plan check, building permits and survey to establish building lines and grades; also, normal interest on building funds during the period of construction and processing fees or service charges are included as well as sales tax on materials, normal site preparation, including excavation for foundation and back-fill, as well as, utilities from structure to lot line are figured for typical set-backs. The contractor’s overhead and profit, including job supervision, workmen’s compensation, fire and liability insurance, unemployment insurance and so forth are all included.**

## **THE COST APPROACH**

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### **II. Land Residual Technique ( Fee Simple)**

#### **A. Cost of Production Analysis (continued)**

##### **4. Cost Data Source: (continued)**

All other hard and soft costs to develop the land from its “as is” status will be taken into consideration in the cost of production. Additional costs, not included in the Valuation Service, such as entrepreneurial profit, are estimated and are being included as additional indirect costs.”

##### **5. Improvement Valuation (Per Parcel)**

The developer’s cost estimates will be utilized to develop the cost of production cost estimate as cross-referenced by “The Marshall Valuation Service.”

**THE COST APPROACH****II. Land Residual Technique (Fee Simple - continued)****A. Cost of Production Analysis Calculations for 120 Residential Lots****Developer's Cost of Production Analysis (To Completion but Prior to Sell Off)**

<b>Hard Cost</b>		<b>Subtotal</b>	<b>Total</b>
• <b>Off-Site Street Improvements</b>	<b>Included</b>		
• <b>On-Site</b> (cost to produce 120 Finished Lots)	<b>\$1,800,000</b>		
<b>Subtotal On-Site Costs</b>	\$1,800,000		
<b>Total of Hard Costs</b>		<b>\$1,800,000</b>	
<b>Soft Costs</b> (not already included in hard costs)	\$100,000		
<b>Total Soft Cost</b>	\$100,000	<b>\$100,000</b>	
<b>Total Hard &amp; Soft Costs</b>			<b>\$1,900,000</b>
Developer's Incentive (10% of Hard and Soft Costs)		<b>\$190,000</b>	
<b>Total Development Costs</b>			<b>\$2,090,000</b>
Plus: Land Value (13.42 Acres)*	\$213,000		
Plus: Developer's Incentive (10% of Land Value)	\$21,300		
Market Value Indication Via Cost of Production for 120 Finished Lots			\$2,324,300
<b>Rounded Bulk or Wholesale Value Indication for 120 Finished Lots</b>			<b>\$2,324,000</b>

It is concluded that the wholesale or bulk market value indication by the cost approach of the subject 120 Finished Lots "as if complete" is as follows:

<b>TOTAL WHOLESALE OR BULK VALUE BY COST</b>	\$2,324,300
<b>TOTAL VALUE INDICATION FOR SUBJECT 120 Finished Residential Lots</b> (rounded)	<b>\$2,324,000</b>

\*The reader will note the prospective cost of production as of 12/31/12 is \$2,841,000. The difference between the current cost of production and the prospective cost of production is due to a mark-up on the land during the 3 year holding period.

**LAND RESIDUAL TECHNIQUE**

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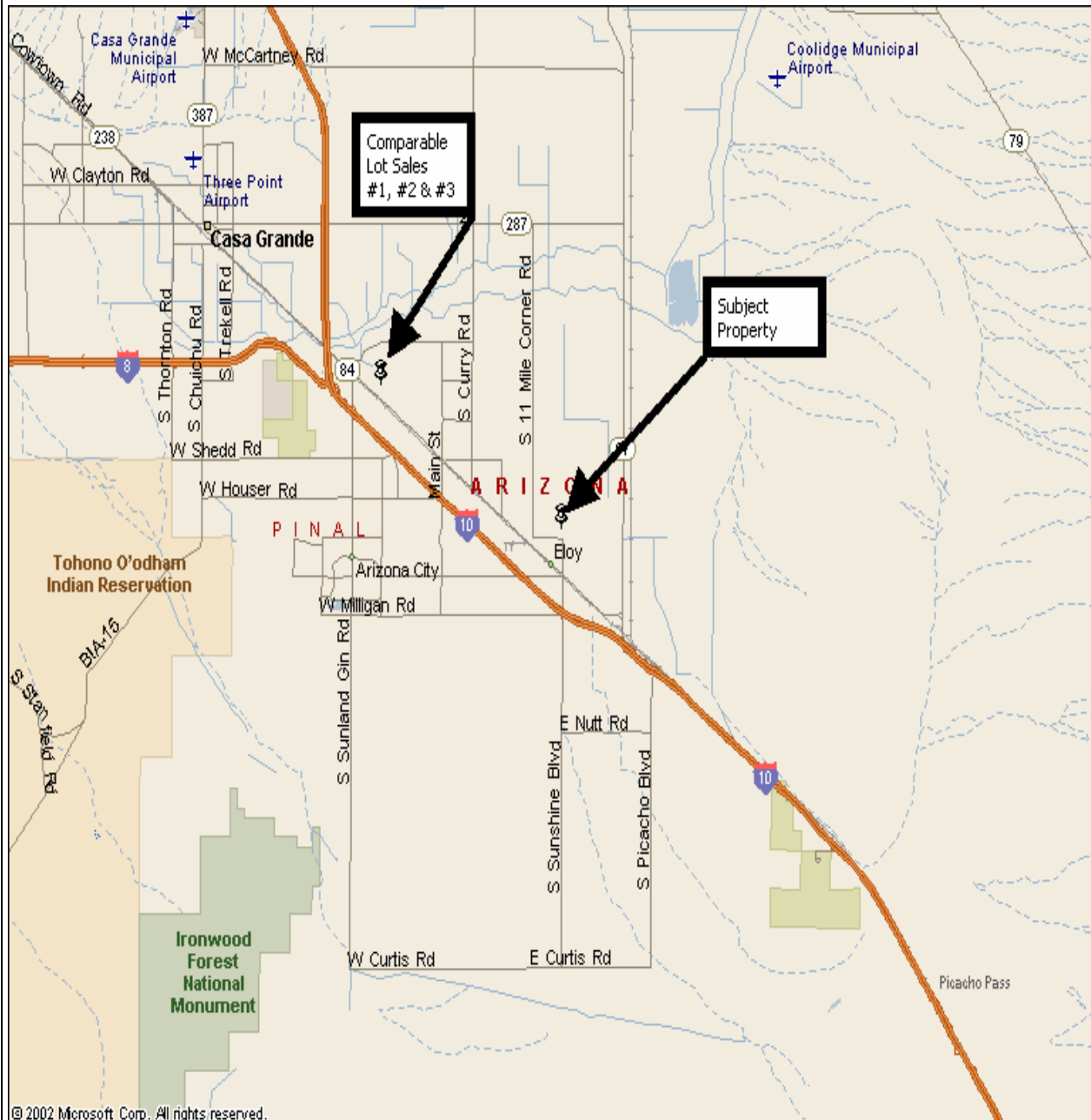
**I. Sales Comparison Approach for the Aggregate Retail of 120 Finished Lots (Fee Simple)**

I have searched the market for similar land sales and listings in the subject's district and have specifically researched those areas near the subject property. Special emphasis was given to sales that were considered competitive with the subject property. I have judged that the following sales will offer objective support for the value of the subject property.

Following is the physical data of these sales along with the comparison grid and the appraiser's analysis of adjustments made in the grid.



## COMPARABLE LOT SALES MAP







**FINISHED LOT SALE COMPARISON #3 (Allocated)**

SEC. 16 AND 17, TN.7S RG.7E

GOLF COURSE

SEE MAP 402-30\_8

SEE MAP 402-30\_3

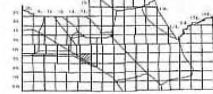
SEE MAP 402-14\_1

SEE MAP 402-30\_8

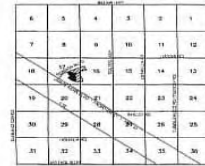
SEE MAP 402-30\_7

**402-30\_6**ROBSON RANCH CASA GRANDE  
UNIT 6  
C&S P - S.D. 124

LOCATION MAP



VICINITY MAP



CONCESSION PARCELS: 402-14-001 TO 402-14-010  
 TRACTS A, B, C, D, E & F UNDER PARCEL  
 402-30-001  
 TRACT G (GOLF COURSE TRACTS UNDER PARCEL  
 402-30-002)  
 TRACT H (WATER LAKE TRACTS UNDER PARCEL  
 402-30-003)



10-27-2008

UPDATED BY: DA

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 THIS OFFICE WILL NOT BE RESPONSIBLE FOR ANY  
 REPERECTIONS OR INACCURACIES OR OMISSIONS  
 WHICH MAY BE FOUND IN THIS MAP OR FOR  
 ANY LOSS OR DAMAGE TO ANY PROPERTY.

PINAL COUNTY ASSESSORS MAP

<b>Location:</b>	5271 N. Gila Trail Drive, Eloy, AZ 85231
<b>Date of Sale:</b>	10/15/09
<b>Documentation:</b>	Doc #107085
<b>Parcel Number:</b>	402-30-462
<b>Buyer:</b>	Gaylen Hein
<b>Seller:</b>	Obryant Trust
<b>Allocated:</b>	
<b>Sale Price:</b>	\$215,000 (3BR/ 2BA 1,724 SF SFD)
<b>Contributory Value of Lot:</b>	<u>X 25%</u>
<b>Total Lot Value</b>	<b>\$53,750</b>
<b>Property Rights</b>	
<b>Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Conventional
<b>Cash Equivalency:</b>	\$53,750
<b>Conditions of Sale:</b>	Arms length transaction.
<b>Market Conditions:</b>	Unstable
<b>Lot Size:</b>	7,405 SF
<b>Topography:</b>	Mostly Level
<b>Utilities:</b>	All public utilities appear to be available to the site.
<b>Zoning:</b>	Residential
<b>Unit Price Per/Lot:</b>	\$53,750
<b>Comments:</b>	This property is larger in size compared to the subject property with superior amenities.

**THE SALES COMPARISON APPROACH****FINISHED LOT SALES COMPARISON GRID (As of 12/31/12)**

FACTOR	SUBJECT	NO. 1		NO. 2		NO. 3	
Location	Battaglia Drive Eloy, AZ	5235 W. Pueblo Dr. Eloy, AZ		5144 W. Nogales		5271 N. Gila Trail Eloy, AZ	
Date of Sale	12/31/12	5/28/09		10/15/09		9/10/09	
Sale Price	\$35,131	\$50,000		\$51,250		\$53,750	
Lot Size	4,800 SF	6,098 SF		7,841 SF		7,405 SF	
Price per Lot	\$35,131	\$50,000		\$51,250		\$53,750	
CHARACTERISTIC SUBJECT							
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Financing Terms	Cash	Cash		Cash		Cash	
Conditions of Sale	Arm's Length	Arm's Length		Arm's Length		Arm's Length	
Market Conditions	Prospective Stable	Negative	+10%	Negative	+10%	Negative	+10%
Adjusted Price/Lot	\$35,131	\$55,000		\$56,375		\$59,125	
PHYSICAL ADJUSTMENTS							
Size	8,450 SF	6,098 SF	(5,000)	7,841 SF	(7,500)	7,405 SF	(7,500)
Location	Good	Similar	-0-	Similar	-0-	Similar	-0-
View	Good	Superior	(5,000)	Superior	(5,000)	Superior	(5,000)
Location within the subdivision	Average	Average	-0-	Average	-0-	Average	-0-
Amenities	Yes	Superior	(10,000)	Superior	(10,000)	Superior	(10,000)
ADJUSTMENTS							
Size	(5,000; 7,500)	50,000		48,875		51,625	
Amenities	(10,000)	40,000		38,875		41,625	
View	(5,000)	35,000		33,875		36,625	
Net Adjustment		(20,000)		(22,500)		(22,500)	
Adjusted Unit Price	\$35,131	\$35,000		\$33,875		\$36,625	
WEIGHTED VALUES							
Reliability (1-10)		8		8		8	
Contribution (%)		0.333		0.333		0.333	
Contribution (\$)	\$35,131	\$11,655		\$11,280		\$12,196	

## THE SALES COMPARISON APPROACH

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### THE SALES COMPARISON APPROACH TO VALUE (continued)

#### A. Typical Finished Lot Value Analysis (continued)

##### 1. Sales Comparison Analysis

###### a. Property Rights, Financing Terms and Conditions of Sale:

All comparable site sales were sold or listed as Fee Simple Estates. Financing terms for the sales represented cash or its equivalent to the sellers. Lastly, Conditions of Sale were based on an arm's length basis. These three characteristics of the sale properties are equal to the assumptions being applied to the subject property. Consequently, no adjustments were necessary for these three characteristics of the sale properties.

###### b. Time and Market Conditions:

Market Value estimates assume an open and competitive marketplace. Current market conditions leading up to the date of appraisal have been a period of increasing market activity. Proper analysis of sales transactions in comparison to the subject is for circumstances to parallel the definition of Market Value. To the extent that any of the conditions of a sale differ substantially from the elements in the definition, without appropriate adjustment, the transaction fails as evidence of Market Value. The subject property is being appraised as of a prospective date of 12/31/2012 at which time market participants are predicting stable market conditions. All three comparable lot sales were also sold during negative market conditions. Therefore, adjustments were made according to dates of sale.

###### c. Size Adjustment:

All three Comparable Lot Sales are larger than the subject. Therefore, downward adjustments were made to all three Comparable Lot Sales according to size.

###### d. Amenities Adjustment:

All three Comparable Lot Sales have superior amenities when compared to the subject property. Therefore, a downward adjustment of \$10,000 per lot was made to all three Comparable Lot Sales.

###### e. View Adjustment:

All three Comparable Lot Sales have superior views. Therefore, a downward adjustment of \$5,000 per lot was made to all three Comparable Lot Sales.

###### f. Location with the Subdivision Adjustment:

All three Comparable lot sales have similar locations within the subdivision. Therefore, no adjustments were necessary.



**THE SALES COMPARISON APPROACH****THE SALES COMPARISON APPROACH TO VALUE (continued)****A. Typical Finished Lot Value Analysis (continued)****2. Finished Lot Value Conclusion**

The lot sales described in this report were representative of the current market in the subject's neighborhood. These sales allowed for derivation of market adjustments to be applied for differences between the sales and subject property. The results from the grid indicated a range of \$33,875 to \$36,625 per lot with an adjusted price per lot of \$35,131 for the subject site.

Reliability factors from 1 to 10, 10 being the most comparable, were assigned to the comparable sales. The sales were rated for reliability on the basis of size and number of adjustments. Adding these factors together and dividing individually indicated a percent contribution for each sale. Multiplying these contributions by the adjusted sale value indications per acre indicated a dollar contribution per sale. Adding these dollar contributions together indicated a dollar per lot value for the subject site. The market value indication of the typical finished lot can therefore, be calculated as follows:

<b>Per Typical Lot Value Indication by Comparable Sales Analysis</b>	<b>=</b>	<b>\$35,131</b>
<b>FINISHED LOT MARKET VALUE INDICATION BY COMPARABLE SALES (Rounded)</b>	<b>=</b>	<b>\$35,131</b>

Therefore, it is my opinion that the aggregate "retail" market value of the fee simple interest for the subject's 120 lots December 31, 2009 if sold to individual purchasers, as of December 31, 2009, is as follows:

<b>AGGREGATE RETAIL OF 120 LOTS</b>	<b>X</b>	<b>\$35,131</b>	<b>=</b>	<b>\$4,216,000</b>
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**\$4,216,000 (\$35,131/Finished Lot)**

**(FOUR MILLION TWO HUNDRED SIXTEEN THOUSAND DOLLARS)**



**THE INCOME APPROACH****E. Discounted Cash Flow Analysis to solve for the Bulk or Wholesale Market Value of 120 Finished Lots**

The method is referred to as yield capitalization because it analyzes whether an investment property will produce the particular level of profit or yield required. The discounted cash flow assumptions are contained below.

**Discounted Cash Flow and Land Residual Assumptions**

<b>Date of Appraisal:</b>		December 31, 2009
Holding Period:		7 Years ; From Completion to Sell-Out
Number of Lots	120	
Average Price Per Lot	\$35,131	
Absorption per year	36	
Total Aggregate Retail	\$4,216,000	Aggregate Retail Value
Annual Appreciation	-0-	CPI & Inflation as offset
Appreciation Rate	-0-	CPI & Inflation as offset
Present Value Factor		11% Bulk; 10% Land Residual

**1. Discounted Cash Flow Calculations**

The following pages contain discounted cash flow income and expense calculations related to the subject's 120 finished lots "as if complete" and ready for sale upon the effective date of the appraisal. These calculations will produce the "As Is" market value of the 13.42 acres.

**THE INCOME APPROACH**

---

**D. As if Complete Bulk or Wholesale Value of the 120 Finished Vacant Lots  
As of 12/31/09 (continued).**

INSERT DISCOUNTED CASH FLOW HERE

**THE INCOME APPROACH**

---

**C. "As Is" Vacant Land Market Value of 13.42 Acres as of 12/31/09 (continued)**

INSERT DISCOUNTED CASH FLOW HERE

**THE INCOME APPROACH**

---

**D. “Prospective As If Complete” Bulk or Wholesale Market Value of 120 Finished Lots as of 12/31/12**

INSERT DISCOUNTED CASH FLOW HERE

**PART THREE – ANALYSIS AND CONCLUSIONS**

---

**III. RECONCILIATION AND FINAL ESTIMATE OF VALUE (Fee Simple)**

- **“As Is” Market Value Land Residual Technique** **\$291,000**
- **“As Is” Market Value Sales Comparison Approach** **\$213,000**

Reconciliation involves analysis of the quantity and quality of all data in the report. The advantages, relevance, and market support for each of the approaches to value was considered. Conclusions were derived throughout the report explaining any discrepancies using reasonable judgment, tying it all together and relating the results to the subject property. Because the real estate market is imperfect, complete agreement of the approaches is not necessary. However, reasonable conclusions were reached using the groundwork established in the appraisal report.

The purpose of this appraisal is to estimate and report my opinion of the subject property's “As Is” MARKET VALUE of the 13.42 acres (120 Paper Lots) if it were sold to an individual buyer.

A thorough search was conducted in the local Multiple Listings Service, First American Title Loopnet, and Real Quest for any evidence of vacant residential land market value during the past 18 months.

Therefore, based upon my investigation and analysis of the data gathered with respect to this assignment, I have formed the opinion that the “As Is” MARKET VALUE of the subject property, as of the effective date December 31, 2009, is measured in the amount of:

**\$225,000 (\$1,875/Paper Lot - \$16,766Acre)**

**(TWO HUNDRED TWENTY FIVE THOUSAND DOLLARS)**

Reasonable exposure time necessary to sell this property to a single purchaser prior to the date of this appraisal is estimated to be 8 to 10 months.

---

PART THREE – ANALYSIS AND CONCLUSIONS

“As Is” MARKET VALUE OF  
24.81 ACRES COMMERCIAL LAND  
WITH CONCEPTUAL PLAN CONSISTING OF  
FIVE 4.96 ACRE COMMERCIAL SUPER PADS

*Esperanza*

***Shops & Offices***

24.81 Acres



EXHIBIT 12

**PART THREE – ANALYSIS AND CONCLUSIONS**

---

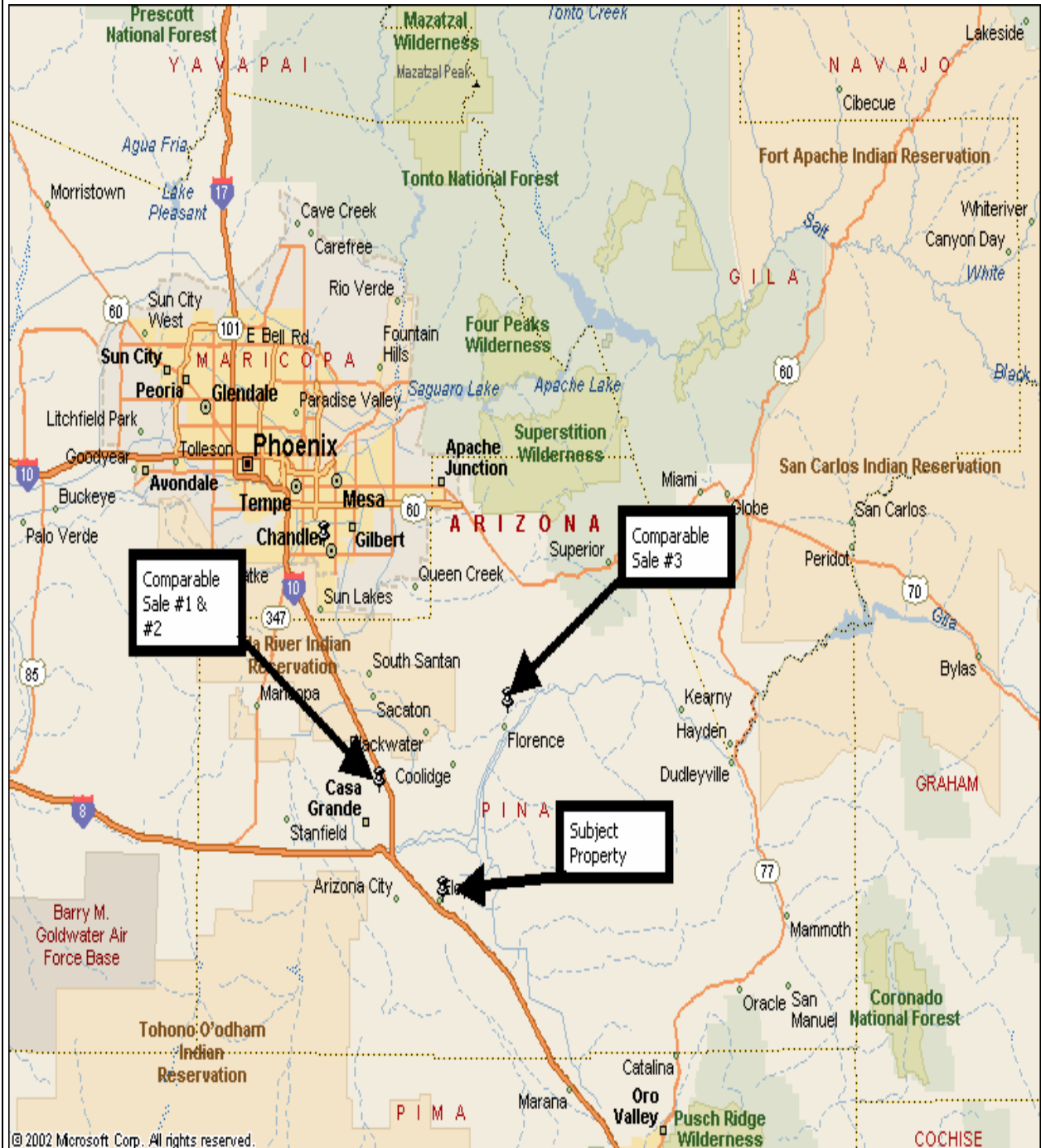
**I. Sales Comparison Approach for 24.81 Acres (Fee Simple)**

I have searched the market for similar land sales and listings in the subject's district and have specifically researched those areas near the subject property. Special emphasis was given to sales that were considered competitive with the subject property. I have judged that the following sales will offer objective support for the value of the subject property.

Following is the physical data of these sales along with the comparison grid and the appraiser's analysis of adjustments made in the grid.



# COMPARABLE LAND SALES MAP (FEE SIMPLE)



<b>LAND SALE COMPARISON #1</b>
--------------------------------

<b>Location:</b>	Casagrande Avenue, Casa Grande, AZ
<b>Identification:</b>	Assessor's Parcel Numbers: #504-09-024M Pinal County, AZ.
<b>Thomas Map Guide:</b>	N/A
<b>Date of Sale:</b>	5/08
<b>Documentation:</b>	Instrument No. 48858 Official Records, Pinal County, AZ.
<b>Buyer:</b>	Casa 42, LLC
<b>Seller:</b>	Pacific Casa, LLC
<b>Sale Price:</b>	\$1,700,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Conventional
<b>Cash Equivalency:</b>	\$1,700,000
<b>Conditions of Sale:</b>	Arms Length
<b>Market Conditions:</b>	Good
<b>Site Size:</b>	36.60 Acres/ 1,594,296 SF
<b>Access:</b>	Good
<b>Topography:</b>	Mostly Level
<b>Building Improvements:</b>	
<b>Utilities:</b>	Public utilities appear to be available to the site
<b>Zoning:</b>	Commercial
<b>Price Per SF/Acre:</b>	\$1.07/SF - \$46,448/Acre

<b>LAND SALE COMPARISON #1 CONT'D.</b>
--

**Present Use at Time  
of Sale:**

Vacant Commercial Land

**Highest and Best Use:**

Hold for Near Term Development

**Verification:**

Loopnet; Realquest; Pinal County Records

**Comments:**

This property is smaller in size than the subject  
Property and has similar zoning. This property has an  
inferior location when compared to the subject property.



<b>LAND SALE COMPARISON #2</b>
--------------------------------

<b>Location:</b>	Thornton Road and Ash Avenue, Casa Grande, AZ
<b>Identification:</b>	Assessor's Parcel Number #N/A Pinal County, AZ
<b>Thomas Map Guide:</b>	N/A
<b>Date of Sale:</b>	12/07
<b>Documentation:</b>	Documentation Number, N/A Pinal County, AZ.
<b>Buyer:</b>	N/A
<b>Seller:</b>	DWCG1, LLC
<b>Sale Price:</b>	\$3,283,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Cash
<b>Cash Equivalency:</b>	\$3,283,000
<b>Conditions of Sale:</b>	Arms length transaction.
<b>Market Conditions:</b>	Good
<b>Site Size:</b>	49.00 Acres/ 2,134,440 SF
<b>Access:</b>	Good
<b>Topography:</b>	Mostly Level
<b>Building Improvements:</b>	None
<b>Utilities:</b>	All public utilities appear to be available to the sight But not warranted.
<b>Zoning:</b>	Commercial
<b>Unit Price Per SF/ Acre:</b>	\$1.54/SF - \$67,000/Acre

<b>LAND SALE COMPARISON #2 CONT'D.</b>
--

**Present Use at Time  
of Sale:**

Vacant Commercial Land

**Highest and Best Use:**

Hold for near term development

**Verification:**

Loopnet; Realquest; Pinal County Records

**Comments:**

This property is larger than the subject property with similar zoning. This property has an inferior location when compared to the subject property.

**COMPARABLE LAND SALE #2 PARCEL MAP**

↑  
N





<b>LAND SALE COMPARISON #3</b>
--------------------------------

<b>Location:</b>	Highway 79 & Hwy 287, Florence AZ
<b>Identification:</b>	Assessor's Parcel Number 206-08-046 Pinal County, AZ
<b>Thomas Map Guide:</b>	N/A
<b>Date of Sale:</b>	6/08
<b>Documentation:</b>	Grant Deed recorded as Instrument N/A in Official Records, Pinal County, AZ.
<b>Buyer:</b>	Panagia Theotokos
<b>Seller:</b>	N/A
<b>Sale Price:</b>	\$210,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Cash
<b>Cash Equivalency:</b>	\$210,000
<b>Conditions of Sale:</b>	Arms length transaction.
<b>Market Conditions:</b>	Negative
<b>Site Size:</b>	8.09 Acres / 352,400 SF
<b>Access:</b>	Good
<b>Topography:</b>	Mostly Level
<b>Building Improvements:</b>	None
<b>Utilities:</b>	All public utilities appear to be available to the site
<b>Zoning:</b>	Commercial
<b>Unit Price Per SF/ Acre:</b>	\$0.60/SF - \$25,958/Acre

<b>LAND SALE COMPARISON #3 CONT'D.</b>
--

**Present Use at Time  
of Sale:**

Vacant Commercial Land

**Highest and Best Use:**

Hold for Near Term Development

**Verification:**

Loopnet; Realquest; Pinal County Records

**Comments:**

This property is smaller than the subject property. This property has an inferior location and inferior off-site improvements.

**COMPARABLE LAND SALE #3 PARCEL MAP**

SEC. 20 SW TN.5S RG.10E

SEE MAP 206-01

206-08\_1

THIS MAP IS FOR VALUATION PURPOSES ONLY.  
THIS OFFICE WILL NOT ASSUME LIABILITY FOR  
REPRESENTATION, MEASUREMENTS OR ADJUSTMENTS.  
THE ORIGINAL PLAT OF THIS SUBDIVISION IS  
ON FILE WITH THE PINAL COUNTY RECORDER'S  
OFFICE.

A & C ACRES  
SUBDIVISION

BK. 8 - PG. 34



SEE MAP 206-08\_2

SEE MAP 206-01

**VICINITY MAP**

SCALE: 1" = 300'

4-11-2008  
UPDATED BY GC

SEE MAP 206-16

PINAL COUNTY ASSESSORS MAP

**LAND SALES COMPARISON GRID (FEE SIMPLE ) 24.81 Acres**

FACTOR	SUBJECT	NO. 1		NO. 2		NO. 3	
Location	Battaglia Drive & Sunshine Road Eloy	Casa Grande Ave Casa Grande		Thornton Road & Ash Avenue Casa Grande		Highway 79 & Hwy 287 Florence, AZ	
Date of Sale	12/31/09	5/08		12/07		6/08	
Sale Price	\$2,366,785	\$1,700,000		\$3,283,000		\$210,000	
Size (Acres)	24.81 Acres	36.60 Acres		49 Acres		8.09 Acres	
Size (SF)	1,080,724 SF	1,594,296 SF		2,134,440 SF		352,400 SF	
Price Per SF	\$2.19	\$1.07		\$1.54		\$0.60	
CHARACTERISTIC SUBJECT							
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Financing Terms	Cash	Cash		Cash		Cash	
Conditions of Sale	Arm's Length	Arm's Length		Arm's Length		Arm's Length	
Market Conditions	Negative	Less Negative	(10%)	Less Negative	(10%)	Less Negative	(10%)
Adjusted Price SF	\$2.19	\$0.96		\$1.39		\$0.54	
PHYSICAL ADJUSTMENTS							
Size	1,080,724 SF	1,594,296 SF	+0.10	2,134,440 SF	+0.10	352,400 SF	(0.10)
Shape	Rectangular	Rectangular	-0-	Rectangular	-0-	Rectangular	-0-
Location	Good	Similar	+0.43	Good	-0-	Inferior	+0.43
Topography	Level	Level	-0-	Level	-0-	Level	-0-
Zoning	Commercial	Commercial	-0-	Commercial	-0-	Commercial	-0-
Off-Sites/Utilities	Yes	Inferior	+0.20	Inferior	+0.20	Similar	-0-
Access	Good	Good	-0-	Good	-0-	Good	-0-
City Reputation	Average	Similar	-0-	Similar	-0-	Inferior	+0.82
Visibility/Traffic Quality	Good	Inferior	+0.50	Inferior	+0.50	Inferior	+0.50
Highest & Best Use	Hold Near Term Development	Similar	-0-	Similar	-0-	Similar	-0-
Entitlements	No	No	-0-	No	-0-	No	-0-
ADJUSTMENTS							
Size	+0.10; (0.10)	1.06		1.49		0.44	
Visibility/Traffic Quality	+0.50	1.56		1.99		0.94	
Off-Site Improvements	+0.20	1.76		2.19		0.94	
City Reputation 1 & 3	+0.82	1.76		2.19		1.76	
Location 2 & 3	+0.43	2.19		2.19		2.19	
Net Adjustment		+1.23		+0.80		+1.65	
Adjusted Unit Price		\$2.19		\$2.19		\$2.19	
WEIGHTED VALUES							
Reliability (1-10)		8		8		8	
Contribution (%)		0.333		0.333		0.333	
Contribution (\$)	\$2.19	\$0.73		\$0.73		\$0.73	

**ANALYSIS AND CONCLUSION (continued)****I. Comparable Land Sales Analysis (continued)**

“The sales comparison approach may be used to value land that is actually vacant or land that is being considered as though vacant for appraisal purposes. Sales comparison is the most common technique for valuing land and it is the preferred method when comparable sales are available. To apply this method, sales of similar parcels of land are analyzed, compared and adjusted to provide a value indication for the land being appraised. In the comparison process the similarity or dissimilarity of the parcels is considered.”<sup>2</sup>

Adjustments to each of the sales is required for significant differences which effect value. “The order in which quantitative adjustments are applied to the sale prices of comparable properties” is called the sequence of adjustments. “The sequence of adjustments is determined by the market and through analysis of the data.”<sup>3</sup> Using the sequence, the appraiser obtains intermediate price figures and applies succeeding adjustments to each previously adjusted price. The adjustments applied to the price of a comparable property reflect the sale’s superiority or inferiority in regard to the real property rights conveyed, financing, conditions of sale, market conditions, location, and physical characteristics.

There are “basic elements of comparison that should always be considered in Sales Comparison Analysis”<sup>4</sup> and other physical differences. All of the sales sold as fee simple estates as arm’s length transactions and therefore, adjustments were not required for these aspects.

**1. Property Rights, Financing Terms and Conditions of Sale:**

All comparable site sales were sold or listed as Fee Simple Estates. Financing terms for the sales represented cash or its equivalent to the sellers. Lastly, Conditions of Sale were based on an arm’s length basis. These three characteristics of the sale properties are equal to the assumptions being applied to the subject property. Consequently, no adjustments were necessary for these three characteristics of the sale properties.

**2. Time and Market Conditions:**

Market Value estimates assume an open and competitive marketplace. Current market conditions leading up to the date of appraisal have been a period of increasing market activity. Proper analysis of sales transactions in comparison to the subject is for circumstances to parallel the definition of Market Value. To the extent that any of the conditions of a sale differ substantially from the elements in the definition, without appropriate adjustment, the transaction fails as evidence of Market Value. The subject property is being appraised during negative market conditions. All three Comparable Land Sales were sold during less negative market conditions. Therefore, adjustments were made for market conditions.

<sup>2</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 337

<sup>3</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 443

<sup>4</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 426

**ANALYSIS AND CONCLUSION (continued)**

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**I. Comparable Land Sales Analysis (continued)**

**3. Size Adjustment:**

Comparable Land Sale#1 & #2 are larger than the subject property. Therefore, an upward adjustment of \$0.10/SF was made to Comparable Land Sale#1 & #2. Comparable Land Sale #3 is smaller than the subject property. Therefore, a downward adjustment of \$0.10/SF made to Comparable Land Sale #3.

**4. Visibility/Traffic Quality Adjustment:**

All three Comparable Land Sales have inferior traffic quality and visibility when compared to the subject property. Therefore, an upward adjustment of \$0.50/SF was made to all three Comparable Land Sales.

**5. Off-Site Improvements Adjustment:**

Comparable Land Sale#1 & #2 have inferior off-site improvements when compared to the subject property. Therefore, an upward adjustment of \$0.20/SF was made to Comparable Land Sale #1 & #2.

**6. City Reputation Adjustment:**

A matched pair was found between Comparable Land Sale #1 & #3. They are exactly alike except Comparable Land Sale #3 has an inferior city reputation. Therefore, an upward adjustment of \$0.82/SF was made to Comparable Land Sale #3.

**7. Location Adjustment:**

A matched pair was found between Comparable Land Sale #2 & #3. They are exactly alike except Comparable Land Sale #3 has an inferior location. Comparable Sale #1 also has an inferior location. Therefore, an upward adjustment of \$0.43/SF was made to Comparable Land Sale #1 & #3.

**8. Highest and Best Use Adjustment:**

All three Comparable Land Sales have similar highest and best uses. Therefore, no adjustments were made.

**9. Entitlements Adjustment:**

None of the comparable land sales were sold with entitlements. Therefore, no adjustments were made.

**ANALYSIS AND CONCLUSION** (continued)**Vacant Land Conclusion for 24.81 Acres (Fee Simple):**

The land sales described in this report were representative of the current market in the subject's neighborhood. These sales allowed for derivation of market adjustments to be applied for differences between the sales and subject property. The results from the grid indicated a range of \$2.19 per with an adjusted price per square foot of \$2.19 for the subject property.

Reliability factors from 1 to 10, 10 being the most comparable, were assigned to the comparable sales. The sales were rated for reliability on the basis of size and number of adjustments. Adding these factors together and dividing individually indicated a percent contribution for each sale. Multiplying these contributions by the adjusted sale value indications per square foot indicated a dollar contribution per sale. Adding these dollar contributions together indicated a dollar per square foot value for the subject site. The market value indication of the site can therefore, be calculated as follows:

<b>1,080,724 SF (24.81 Acres Vacant Land)</b>	<b>X</b>	<b>\$2.19/SF</b>	<b>=</b>	<b>\$2,366,785</b>
<b>"As Is" Market Value – Fee Simple (rounded)</b>			<b>=</b>	<b>\$2,367,000</b>



## ANALYSIS AND CONCLUSION (continued)

**II. Land Residual Technique ( Fee Simple) –5 Commercial Super Pads Status****A. Cost of Production Analysis (Per Parcel)**

Production cost is the cost of construction at current prices of an exact duplicate, or replica, using the same materials, construction standards design, layout, and quality of workmanship, and embodying all the deficiencies, superadequacies, and obsolescence of the proposed subject Parcel improvements. In the analysis of the cost to develop subdivision Parcels (as if complete and ready for sale), the following have been recognized:

**1. The “as is” market value of the land by Direct Sales Comparison (Per Parcel).****2. Construction Costs:**

- a. Hard costs: Direct development costs associated with labor and materials of construction of streets, utilities (on and off site) and any other physical improvements.
- b. Soft costs: Indirect development costs associated with non-construction items such as land planning, engineering, marketing, municipal fees, appraisal, financing fees, interest and other entitlement costs.

**2. Developer’s Profit:** That profit level necessary to induce a typical developer to undertake the necessary approval, planning and construction to the point of completion of the Parcel subdivision of a given type.**3. Cost Data Source:**

Typical developer’s cost estimates, as determined by local contractor bids and developer quotes and are utilized with reference to the “Marshall Valuation Service”, published by Marshall and Swift Publication Company, is a nationally recognized cost estimating company located in Los Angeles, California. The costs calculated by this method represent a typical bidding target range. These costs are updated regularly to reflect changes and differences in construction costs by class of construction and location. This method estimates direct and indirect costs associated with construction development as noted below.

The cost of replacing a property is generally estimated on a square foot basis. The value of the land is then added to the replacement cost estimate. **This cost estimate includes the average architect’s and engineers fees, including plans, plan check, building permits and survey to establish building lines and grades; also, normal interest on building funds during the period of construction and processing fees or service charges are included as well as sales tax on materials, normal site preparation, including excavation for foundation and back-fill, as well as, utilities from structure to lot line are figured for typical set-backs. The contractor’s overhead and profit, including job supervision, workmen’s compensation, fire and liability insurance, unemployment insurance and so forth are all included.**

**ANALYSIS AND CONCLUSION (continued)**

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**II. Land Residual Technique ( Fee Simple)**

**A. Cost of Production Analysis (continued)**

**4. Cost Data Source: (continued)**

All other hard and soft costs to develop the land from its “as is” status will be taken into consideration in the cost of production. Additional costs, not included in the Valuation Service, such as entrepreneurial profit, are estimated and are being included as additional indirect costs.”

**5. Improvement Valuation (Per Parcel)**

The developer’s cost estimates will be utilized to develop the cost of production cost estimate as cross-referenced by “The Marshall Valuation Service.”

**ANALYSIS AND CONCLUSION (continued)****II. Land Residual Technique (Fee Simple - continued)****A. Cost of Production Analysis Calculations for 5 Commercial Superpads****Developer's Cost of Production Analysis (To Completion but Prior to Sell Off)**

<b>Hard Cost</b>		<b>Subtotal</b>	<b>Total</b>
• <b>Off-Site Street Improvements</b>	<b>Included</b>		
• <b>On-Site</b> (cost to produce 5 commercial super pads)	<b>\$1,000,000</b>		
<b>Subtotal On-Site Costs</b>	\$1,000,000		
<b>Total of Hard Costs</b>		<b>\$1,000,000</b>	
<b>Soft Costs</b> (not already included in hard costs)	\$100,000		
<b>Total Soft Cost</b>	\$100,000	<b>\$100,000</b>	
<b>Total Hard &amp; Soft Costs</b>			<b>\$1,100,000</b>
Developer's Incentive (10% of Hard and Soft Costs)		<b>\$110,000</b>	
<b>Total Development Costs</b>			<b>\$1,210,000</b>
Plus: Land Value (24.81 Acres)*	\$2,367,000		
Plus: Developer's Incentive (10% of Land Value)	\$236,700		
Market Value Indication Via Cost of Production for 5 Commercial Super Pads			\$3,813,700
<b>Rounded Bulk or Wholesale Value Indication for 5 Commercial Super Pads</b>			<b>\$3,814,000</b>

It is concluded that the wholesale or bulk market value indication by the cost approach of the subject 5 Commercial Super Pads "as if complete" is as follows:

<b>TOTAL WHOLESALE OR BULK VALUE BY COST</b>	<b>\$3,813,700</b>
<b>TOTAL VALUE INDICATION FOR SUBJECT 5 Commercial Super Pads</b> (rounded)	<b>\$3,814,000</b>

\*The reader will note the prospective cost of production as of 12/31/12 is estimated at \$4,224,000. The difference between the current cost of production and the prospective cost of production is due to a mark-up on the land during the 3 year holding period.

**ANALYSIS AND CONCLUSION (continued)**

---

**II. Land Residual Technique (Fee Simple – continued)****A. Aggregate Retail of Each Super Pad using the Sales Comparison Technique and the Land Residual Technique for Each Parcel.**

The “As If Entitled” Market Value of the vacant land will be estimated by comparison of similar sales in the local market area. The Sales Comparison Approach is a method estimating market value, where the subject property is compared with similar type properties that have recently sold. It is based on the economic principle that a prudent purchaser will not pay more for a property than the price of an equally desirable subject property would bring in the open market at that approximate point in time. Essentially, the sales comparison approach is a systematic procedure for carrying out comparative shopping. The premise is that the market will determine the price for the property being appraised in the same manner it determines the price of comparable competitive properties. Founded on the principle of substitution, this approach depends on detailed analysis of recent sales, current listing, purchase options, and offers to purchase as indicators of market attitudes concerning the ability of similar properties to satisfy anticipated objectives. Preferably all comparable sales are in the same or similar areas.

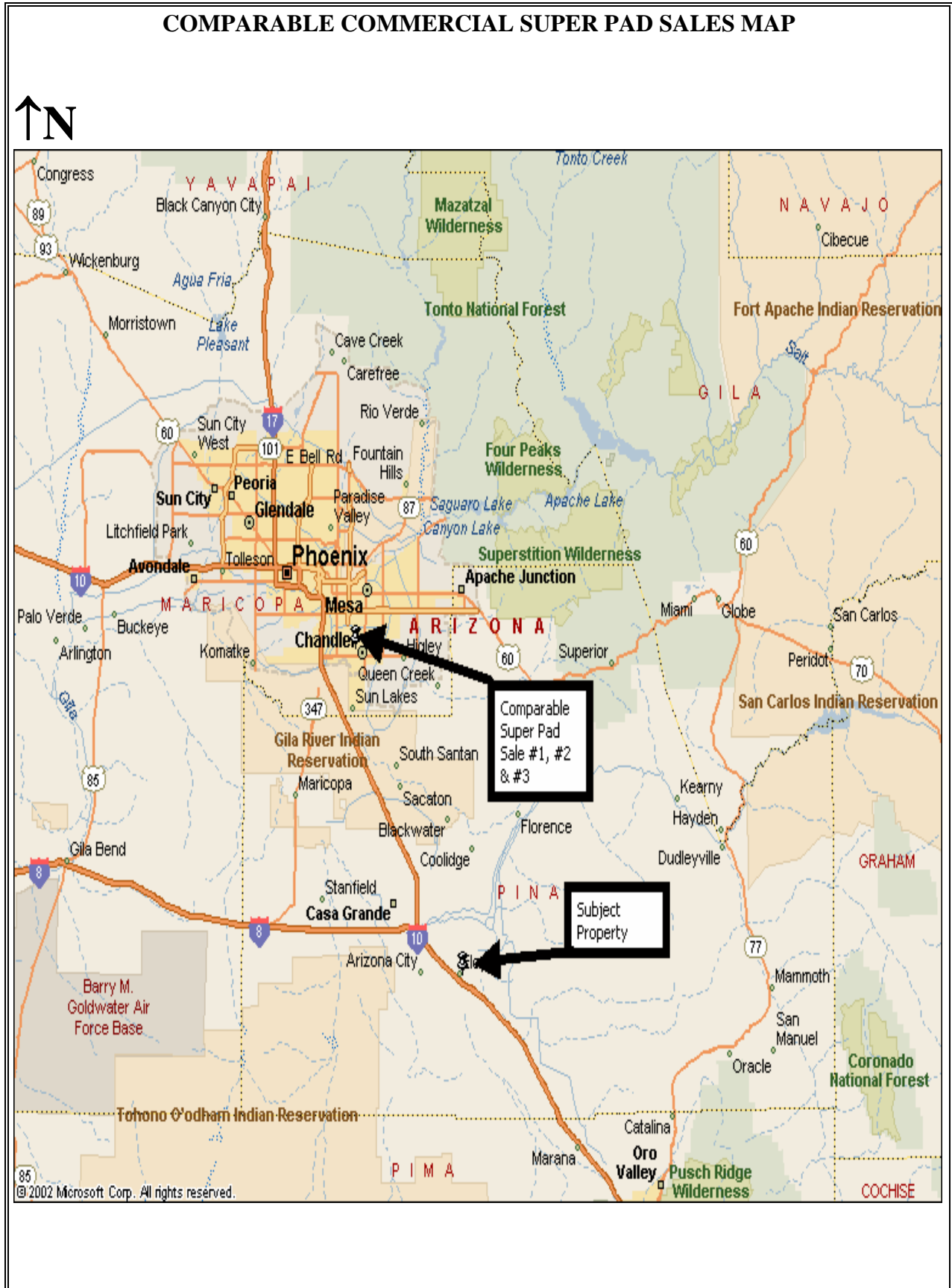
In using the Sales Comparison Approach, an attempt is made to simulate the price each comparable property would sell for on the date of the subject appraisal if it were identical to the subject property. Since no two properties are identical, this simulation normally requires sufficient market analysis to discern variances between the properties and the magnitude of adjustments to be made of dissimilarities. The subject and specific comparable properties are then compared with percentage adjustments made for differences. Adjustments are typically necessary for the passage of time, as well as, for differences in physical, functional, or locational characteristics. The outcome on value of these differences is discussed in the analysis portion of this approach.

To apply the Sales Comparison Approach, an appraiser follows a systematic procedure:

1. Research the market to obtain information on sales transactions, listing and offerings to purchase properties similar to the subject.
2. Verify the information by confirming that the data obtained is factually accurate and that the transactions reflect arms length market consideration.
3. Select relevant units of comparison (e.g., dollars per acre, per square foot, or per multiplier) and develop a comparative analysis for each unit.
4. Compare the subject property and comparable sale properties using the elements of comparison and adjust the sale price of each comparable appropriately or eliminate the property as a comparable.
5. Reconcile the various value indications produced from the analysis of comparables into a single value indication or a range of values. An imprecise market may indicate a range of values.

The units of comparison for sales of Super Pads are the price per square foot. Interviews with various brokers and realtors during the search for comparable sales and listings confirmed the utilization of these factors.

ANALYSIS AND CONCLUSION (continued)



## ANALYSIS AND CONCLUSION (continued)

## COMMERCIAL SUPER PAD SALE COMPARISON #1

<b>Location:</b>	94 <sup>TH</sup> Street, Chandler, AZ
<b>Identification:</b>	Assessor's Parcel Numbers: #303-24-012B Pinal County, AZ.
<b>Thomas Map Guide:</b>	N/A
<b>Date of Sale:</b>	10/09
<b>Documentation:</b>	Instrument No.916772 Official Records, Pinal County, AZ.
<b>Buyer:</b>	JDJ Chandler, LLC
<b>Seller:</b>	Sante Chandler, LLC
<b>Sale Price:</b>	\$3,000,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Conventional
<b>Cash Equivalency:</b>	\$3,000,000
<b>Conditions of Sale:</b>	Arms Length
<b>Market Conditions:</b>	Negative
<b>Site Size:</b>	9.71 Acres/ 422,968 SF
<b>Access/Visibility:</b>	Good
<b>Topography:</b>	Level
<b>Building Improvements:</b>	None
<b>Utilities:</b>	Public utilities appear to be available to the site
<b>Zoning:</b>	Commercial
<b>Price Per SF:</b>	\$7.09/SF - \$308,925/Acre

**ANALYSIS AND CONCLUSION** (continued)

**COMMERCIAL SUPER PAD SALE COMPARISON #1 CONT'D.**

**Present Use at Time  
of Sale:**

Vacant Commercial Land

**Highest and Best Use:**

Near term development

**Verification:**

Loopnet; Realquest, Pinal County Records

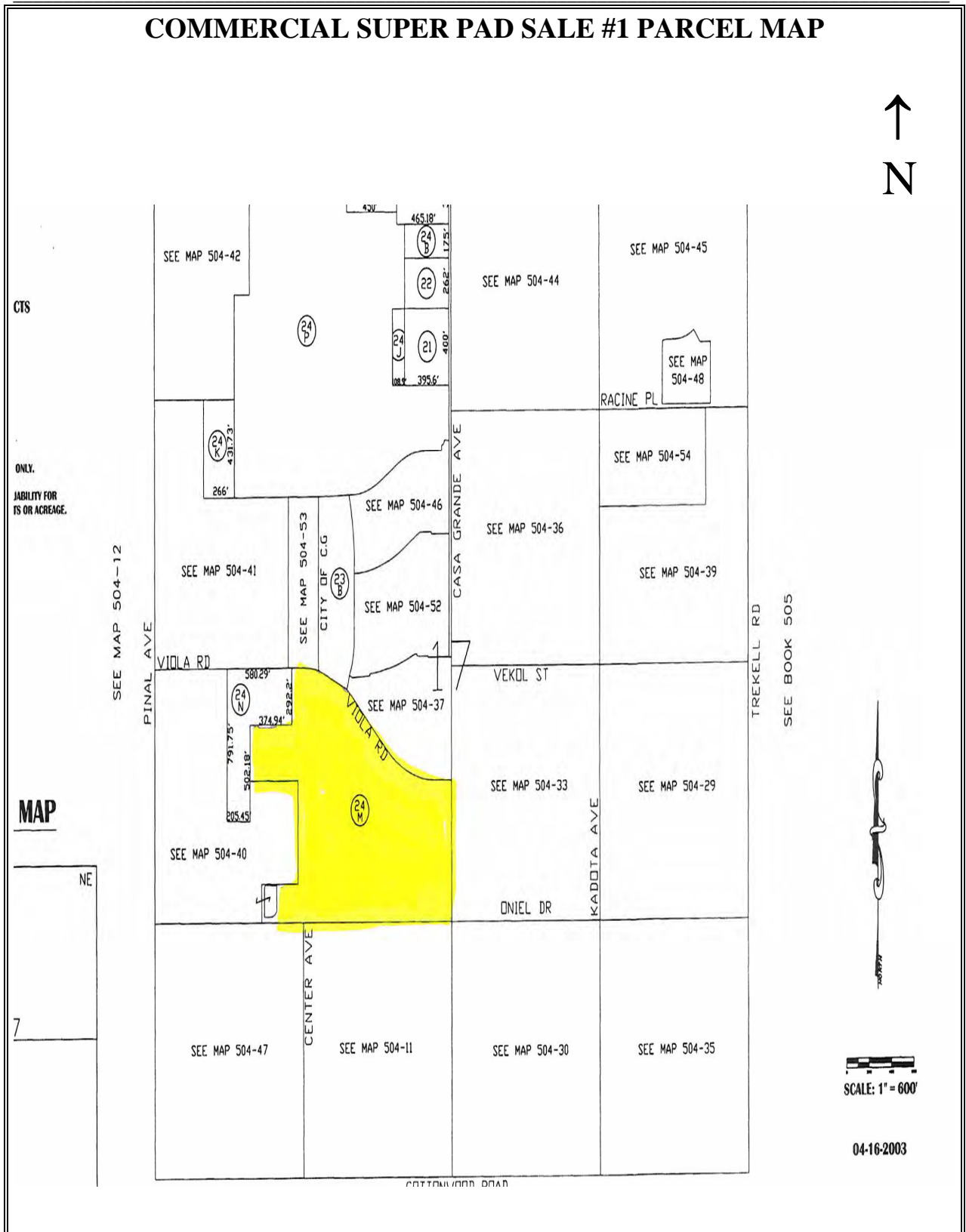
**Comments:**

This property is larger in size compared to the subject Property. This property has a superior location compared to the subject.



ANALYSIS AND CONCLUSION (continued)

COMMERCIAL SUPER PAD SALE #1 PARCEL MAP



## ANALYSIS AND CONCLUSION (continued)

## COMMERCIAL SUPER PAD SALE COMPARISON #2

<b>Location:</b>	Pecos Road, Chandler, AZ
<b>Identification:</b>	Assessor's Parcel Number 303-01-020D, Pinal County, AZ
<b>Thomas Map Guide:</b>	N/A
<b>Date of Sale:</b>	12/09
<b>Documentation:</b>	Grant deed recorded as Instrument No. 1146710 in Official Records, Pinal County, AZ
<b>Buyer:</b>	Maricopa Community
<b>Seller:</b>	DK Chandler Auto
<b>Sales Price:</b>	\$3,000,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Conventional
<b>Cash Equivalency:</b>	\$3,000,000
<b>Conditions of Sale:</b>	Arms length transaction
<b>Market Conditions:</b>	Negative
<b>Site Size:</b>	13.29 Acres – 578,912 SF
<b>Topography:</b>	Level to street
<b>Utilities:</b>	All public utilities appear to be at the site.
<b>Access &amp; Visibility:</b>	Good/Good
<b>Street Improvements:</b>	Paved Road,
<b>Price Per SF:</b>	\$5.18/SF - \$225,815/Acre

**ANALYSIS AND CONCLUSION** (continued)

**COMMERCIAL SUPERPAD COMPARISON #2 CONT'D**

**Building Improvements:** None

**Zoning:** Commercial

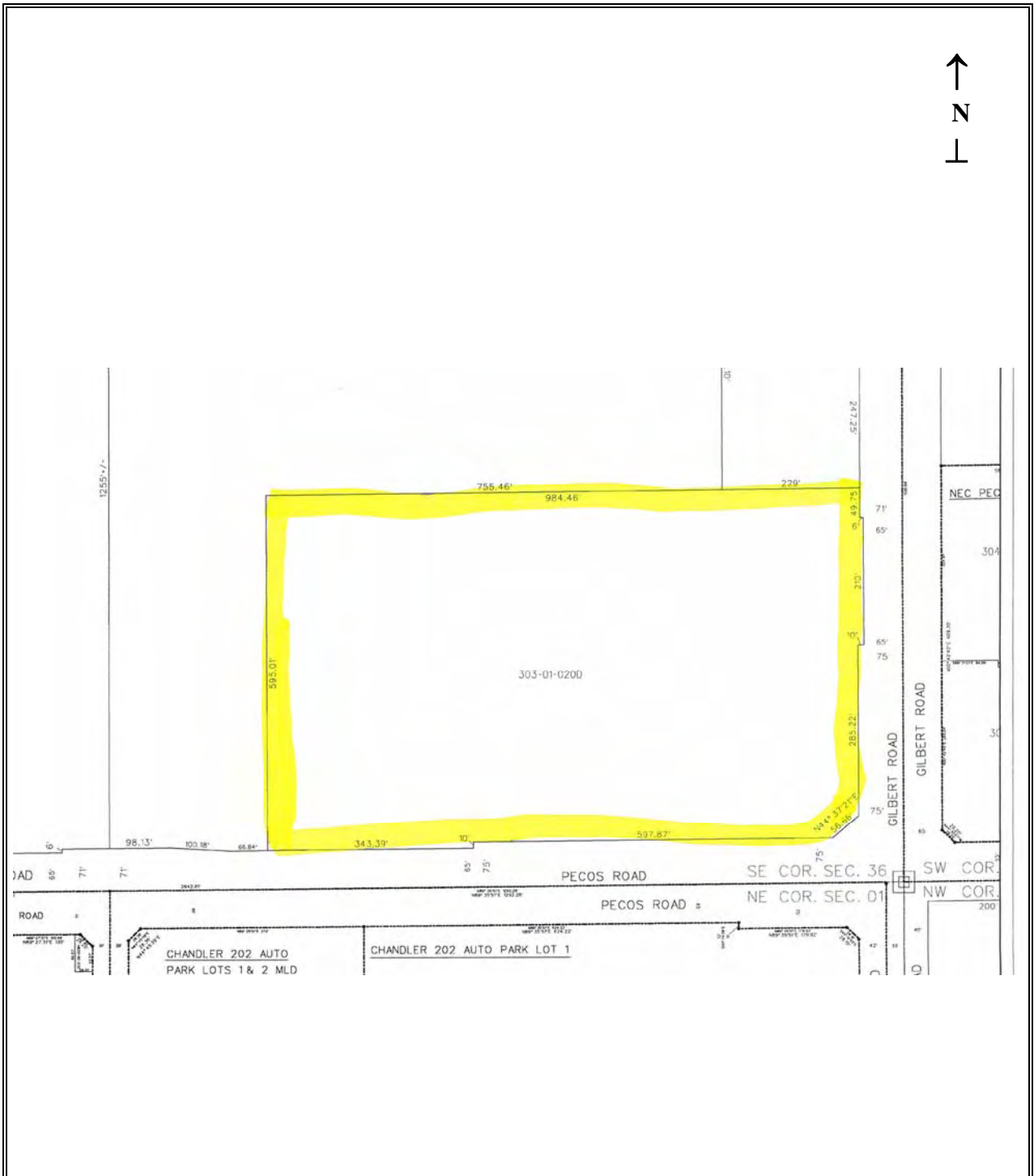
**Present Use at Time  
of Sale:** Vacant Commercial Land

**Verification:** Loopnet; Realquest; Pinal County Records

**Comments:** This property is larger than the subject with similar zoning.  
This property has a superior location.

ANALYSIS AND CONCLUSION (continued)

COMMERCIAL SUPER PAD SALE #2 MAP



## ANALYSIS AND CONCLUSION (continued)

## COMMERCIAL SUPER PAD COMPARISON #3

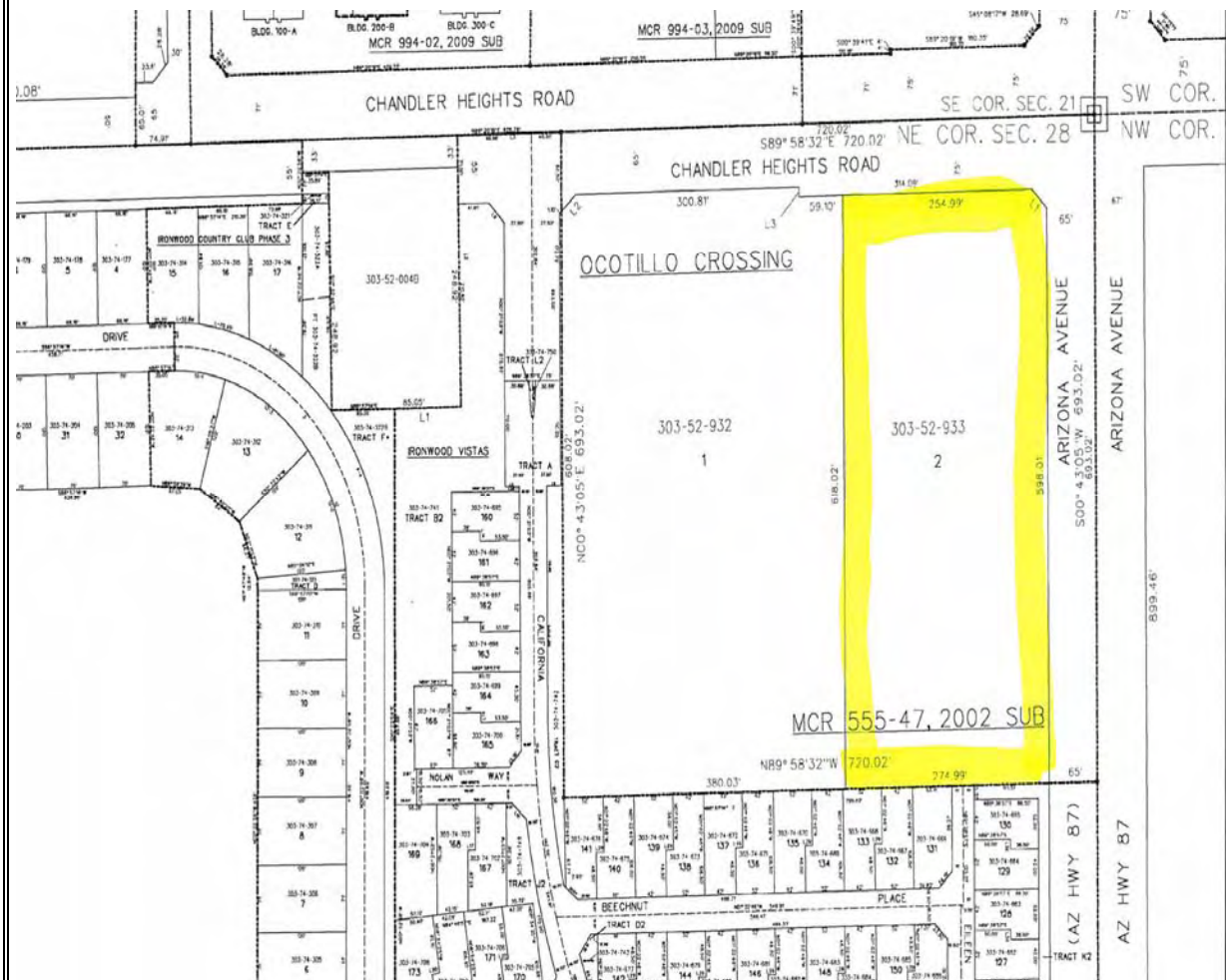
<b>Location:</b>	Arizona Ave & Chandler Heights Road, Chandler, AZ
<b>Identification:</b>	Assessor's Parcel Number 303-52-933, Pinal County, AZ
<b>Thomas Map Guide:</b>	N/A
<b>Date of Sale:</b>	12/09
<b>Documentation:</b>	4507
<b>Buyer:</b>	Three Js Arizona
<b>Seller:</b>	Exxon Mobile Foundation
<b>Sales Price:</b>	\$1,890,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Conventional
<b>Cash Equivalency:</b>	\$1,890,000
<b>Conditions of Sale:</b>	Arms length transaction
<b>Market Conditions:</b>	Negative
<b>Site Size:</b>	169,735 SF
<b>Topography:</b>	Level to street
<b>Utilities:</b>	All public utilities appear to be at the site.
<b>Access &amp; Visibility:</b>	Good/Good
<b>Street Improvements:</b>	Paved Road,
<b>Price Per SF:</b>	\$11.13/SF - \$485,041/Acre

**ANALYSIS AND CONCLUSION** (continued)

**COMMERCIAL SUPER PAD SALE COMPARISON #3 CONT'D**

<b>Building Improvements:</b>	None
<b>Zoning:</b>	Commercial
<b>Present Use at Time of Sale:</b>	Vacant Commercial Lot
<b>Verification:</b>	Loopnet; Realquest; Pinal County Records
<b>Comments:</b>	This property is similar in size, has similar zoning compared to the subject and was considered a finished lot at the time of the sale.

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## ANALYSIS AND CONCLUSION (continued)

**COMMERCIAL SUPER PAD SALES COMPARISON GRID**  
**(As of 12/31/12)**

FACTOR	SUBJECT	NO. 1		NO. 2		NO. 3	
Location	Battaglia Drive & Sunshiine Road Eloy	94 <sup>th</sup> Street Chandler, AZ		Pecos Road Chandler, AZ		Arizona Street Chandler, AZ	
Date of Sale	12/31/12	10/09		12/09		12/09	
Sale Price	\$1,523,209	\$3,000,000		\$3,000,000		\$1,890,000	
Size (SF)	216,058 SF	422,968 SF		578,912 SF		169,884 SF	
Price per SF	\$7.05	\$7.09		\$5.18		\$11.13	
CHARACTERISTIC SUBJECT							
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Financing Terms	Cash	Cash		Cash		Cash	
Conditions of Sale	Arm’s Length	Arm’s Length		Arm’s Length		Arm’s Length	
Market Conditions	Prospective - Stable	Negative	+10%	Negative	+10%	Negative	+10%
Adjusted Price SF	\$7.05	\$7.80		\$5.69		\$12.24	
PHYSICAL ADJUSTMENTS							
Size	216,058 SF	422,968 SF	+0.25	578,912 SF	+0.25	169,884 SF	(0.25)
Location	Good	Superior	(1.00)	Superior	(1.00)	Superior	(1.00)
Access/Visibility	Good	Similar	-0-	Similar	-0	Similar	-0-
Off-Site Improvements	Yes – To Super Pad Status	Similar	-0-	Similar	-0-	Finished Lot Status	(2.50)
Specific Location	Good	Similar	-0-	Inferior	+2.11	Superior	(1.19)
ADJUSTMENTS							
Size	+0.25; (0.25)	8.05		5.94		11.74	
Location	(1,000)	7.05		4.94		10.74	
Off-Site Improvements	(2.50)	7.05		4.94		8.24	
Specific Location (Inferior 1 & 2)	+2.11	7.05		7.05		8.24	
Specific Location (Superior 1 & 3)	(1.19)	7.05		7.05		7.05	
Net Adjustment		(0.75)		+1.36		(4.94)	
Adjusted Unit Price	\$7.05	\$7.05		\$7.05		\$7.05	
WEIGHTED VALUES							
Reliability (1-10)		8		8		8	
Contribution (%)		0.33333		0.33333		0.33333	
Contribution (\$)	\$7.05	\$2.35		\$2.35		\$2.35	

**ANALYSIS AND CONCLUSION (continued)****II. Land Residual Technique (Fee Simple – continued)****B. Retail Value of Each Super Pad using the Sales Comparison Technique****2. Comparable Commercial Super Pad Sales Analysis: (continued)**

“The sales comparison approach may be used to value land that is actually vacant or land that is being considered as though vacant for appraisal purposes. Sales comparison is the most common technique for valuing land and it is the preferred method when comparable sales are available. To apply this method, sales of similar parcels of land are analyzed, compared and adjusted to provide a value indication for the land being appraised. In the comparison process the similarity or dissimilarity of the parcels is considered.”<sup>2</sup>

Adjustments to each of the sales is required for significant differences which effect value. “The order in which quantitative adjustments are applied to the sale prices of comparable properties” is called the sequence of adjustments. “The sequence of adjustments is determined by the market and through analysis of the data.”<sup>3</sup> Using the sequence, the appraiser obtains intermediate price figures and applies succeeding adjustments to each previously adjusted price. The adjustments applied to the price of a comparable property reflect the sale’s superiority or inferiority in regard to the real property rights conveyed, financing, conditions of sale, market conditions, location, and physical characteristics.

There are “basic elements of comparison that should always be considered in Sales Comparison Analysis”<sup>4</sup> and other physical differences. All of the sales sold as fee simple estates as arm’s length transactions and therefore, adjustments were not required for these aspects.

**Property Rights, Financing Terms and Conditions of Sale:**

All comparable site sales were sold or listed as Fee Simple Estates. Financing terms for the sales represented cash or its equivalent to the sellers. Lastly, Conditions of Sale were based on an arm’s length basis. These three characteristics of the sale properties are equal to the assumptions being applied to the subject property. Consequently, no adjustments were necessary for these three characteristics of the sale properties.

**Time and Market Conditions:**

Market Value estimates assume an open and competitive marketplace. Current market conditions leading up to the date of appraisal have been a period of increasing market activity. Proper analysis of sales transactions in comparison to the subject is for circumstances to parallel the definition of Market Value. To the extent that any of the conditions of a sale differ substantially from the elements in the definition, without appropriate adjustment, the transaction fails as evidence of Market Value. The subject property is being appraised as of a prospective date assuming market conditions are stable. All three Comparable Sales were sold during negative market conditions. Therefore, adjustments were made for market conditions.

<sup>2</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 337

<sup>3</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 443

<sup>4</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 426

**ANALYSIS AND CONCLUSION (continued)**

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**II. Land Residual Technique (Fee Simple – continued)**

**B. Retail Value of Each Parcel using the Sales Comparison Technique**

**1. Comparable Commercial Super Pad Sales Analysis: (continued)**

**Size Adjustment:**

Comparable Land Sales #1 & #2 are larger than the subject property. Therefore, an upward adjustment of \$0.25 per square foot was made to Comparable Land Sales #1 & #2. Comparable Sale #3 is smaller. Therefore, a downward adjustment of \$0.25 per square foot was made to Comparable Sale #3.

**Location:**

All three Comparable Sales have superior locations. Therefore, a downward adjustment of \$1.00 per square foot was made to all three Comparable Sales.

**Off-Site Improvements Adjustment:**

Comparable Sale #3 was considered a finished lot at the time of the sale. Therefore, a downward adjustment of \$2.50 per square foot was made to Comparable Sale #3.

**Specific Location Adjustment:**

A matched pair was found between Comparable Land Sale #1 & #2. They are exactly alike except Comparable Land Sale #2 has an inferior specific location. Therefore, an upward adjustment of \$2.11 per square foot was made to Comparable Sale #2. Another matched pair was found between Comparable Sale #1 & #3. They are exactly alike except Comparable Sale #3 has a superior specific location. Therefore, a downward adjustment of \$1.19 per square foot was made to Comparable Sale #3.

**Value Conclusion of a 216,058 SF Commercial Super Pad:**

The land sales described in this report were representative of the current market in the subject's neighborhood. These sales allowed for derivation of market adjustments to be applied for differences between the sales and subject property. The results from the grid indicated a range of \$7.05 and an adjusted price per square foot of \$7.05 for the subject property.

Reliability factors from 1 to 10, 10 being the most comparable, were assigned to the comparable sales. The sales were rated for reliability on the basis of size and number of adjustments. Adding these factors together and dividing individually indicated a percent contribution for each sale. Multiplying these contributions by the adjusted sale value indications per square foot indicated a dollar contribution per sale. Adding these dollar contributions together indicated a dollar per square foot value for the subject site. The market value indication of the site can therefore, be calculated as follows:

**ANALYSIS AND CONCLUSION (continued)**

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**AGGREGATE RETAIL OF 5 COMMERCIAL SUPER PAD**

<b>216,058 SF Super Pad</b>	<b>X</b>	<b>\$7.05/SF</b>	<b>=</b>	<b>\$1,523,000</b>
<b>216,058 SF Super Pad</b>	<b>X</b>	<b>\$6.95/SF</b>	<b>=</b>	<b>\$1,502,000</b>
<b>216,058 SF Super Pad</b>	<b>X</b>	<b>\$7.15/SF</b>	<b>=</b>	<b>\$1,545,000</b>
<b>216,058 SF Super Pad</b>	<b>X</b>	<b>\$7.05/SF</b>	<b>=</b>	<b>\$1,523,000</b>
<b>216,058 SF Super Pad</b>	<b>X</b>	<b>\$7.05/SF</b>	<b>=</b>	<b>\$1,523,000</b>
<b>Total Aggregate Retail</b>			<b>=</b>	<b>\$7,616,000</b>

**ANALYSIS AND CONCLUSION (continued)****C. Discounted Cash Flow Analysis to solve for the “As Is” and “As If Complete” Bulk or Wholesale Market Value of 5 Commercial Super Pads**

The method is referred to as yield capitalization because it analyzes whether an investment property will produce the particular level of profit or yield required. The discounted cash flow assumptions are contained below.

**Discounted Cash Flow and Land Residual Assumptions**

<b>Date of Appraisal:</b>		December 31, 2009
Holding Period: Finished Super Pad Status		6 Years; From Completion to Sell-Out
Holding Period: Raw Land		6 Years; Raw Land to Sell-Out
<b>4.96 Acre Retail Super Pad</b>	<b>\$1,523,000</b>	“As if Complete”
<b>4.96 Acre Retail Super Pad</b>	<b>\$1,502,000</b>	“As if Complete”
<b>4.96 Acre Retail Super Pad</b>	<b>\$1,545,000</b>	“As if Complete”
<b>4.96 Acre Retail Super Pad</b>	<b>\$1,523,000</b>	“As if Complete”
<b>4.96 Acre Retail Super Pad</b>	<b>\$1,523,000</b>	“As if Complete”
Total Aggregate Retail	<b>\$7,616,000</b>	To Super Pad Status
Absorption	2 Super Pads /Year	
Total Aggregate Retail	\$7,616,000	Aggregate Retail Value
Annual Appreciation	-0-	CPI & Inflation as offset
Appreciation Rate	-0-	CPI & Inflation as offset
Present Value Factor		13% Bulk; 12% (Land Residual)

**2. Discounted Cash Flow Calculations**

The following pages contain discounted cash flow income and expense calculations related to the subject's 5 Commercial Super Pads “as if complete” and ready for sale upon the effective date of the appraisal as well as the “As Is” Market Value of 24.81 Acres Commercial Land. These calculations will produce the “as if complete” bulk or wholesale market value of the 5 Commercial Super Pads and the “As Is” Market Value of the 24.81 acres of commercial land.

**ANALYSIS AND CONCLUSION** (continued)

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**B. “As If Complete” Bulk or Wholesale Market Value of 5 Commercial Super Pads**

**INSERT DISCOUNTED CASH FLOW HERE**

**ANALYSIS AND CONCLUSION** (continued)

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**C. “As Is ” Market Value of 24.81 Acres Commercial Land Analysis** (continued)

**INSERT DISCOUNTED CASH FLOW HERE**



**ANALYSIS AND CONCLUSION (continued)****B. "As If Complete" Bulk or Wholesale Market Value of 5 Commercial Super Pads as of 12/31/12**

<b>Income/Expense per Month</b>		2012 1st Year	2013 2nd Year	2014 3rd Year	Total
<b>INCOME:</b>					
<b>Average Lot Value</b>	\$44,456				
<b>Number of Lots to Sell</b>		89	53	17	
<b>Number of Lots Sold</b>		36.00	36.00	17.00	
<b>Lots Remaining</b>		53.00	17.00	0.00	
<b>Effective Gross Income</b>		\$1,600,416	\$1,600,416	\$755,752	\$3,956,584
<b>EXPENSES:</b>					
Property Taxes	1.10%	\$17,605	\$17,605	\$8,313	\$35,209
<b>HOA Dues/Maintenance</b>	\$1,200	\$63,600	\$20,400	\$0	\$84,000
Insurance		\$10,000	\$10,000	\$10,001	\$20,000
Legal/Accounting/Closing	1.00%	\$16,004	\$16,004	\$7,558	\$32,008
Commissions	2.00%	\$32,008	\$32,008	\$15,115	\$64,017
Marketing	1.50%	\$24,006	\$24,006	\$11,336	\$48,012
Soft Costs	\$100,000	\$0	\$0	\$0	\$0
Hard Costs	\$1,335,000	\$0	\$0	\$0	\$0
Developer's Incentive	\$206,000	\$0	\$0	\$0	\$0
Developer's Profit	\$275,000	\$137,500	\$137,500	\$137,500	\$275,000
Total Expenses		\$300,723	\$257,523	\$189,823	\$558,247
<b>Net Sale Proceeds</b>		\$1,299,693	\$1,342,893	\$565,929	\$2,642,585
Discount Rate(Does Not Include Developer's Profit)	9%	0.921659	0.849455	0.782908	
Negative Cash Flow Discount Rate	6%	0.943396	0.889996	0.839619	
Present Value of Equity		\$1,197,873	\$1,140,727	\$443,070	\$2,338,601
Cumulative Total		\$1,197,873	\$2,338,601	\$2,781,671	
 Bulk or Wholesale Market Value	\$2,781,671				
Bulk or Wholesale Market Value	\$2,782,000				
Value Per Lot	\$31,258				

**ANALYSIS AND CONCLUSION (continued)**

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**III. RECONCILIATION AND FINAL ESTIMATE OF VALUE (Fee Simple – 24.81 Acres)**

- **Sales Comparison Approach ( Fee Simple “As Is”)** **\$2,367,000**
- **Land Residual Technique (Fee Simple “As Is”)** **\$2,398,000**

Reconciliation involves analysis of the quantity and quality of all data in the report. The advantages, relevance, and market support for each of the approaches to value was considered. Conclusions were derived throughout the report explaining any discrepancies using reasonable judgment, tying it all together and relating the results to the subject property. The real estate market is not a perfect market and therefore complete agreement of the approaches is not necessary. However, reasonable conclusions were reached using the groundwork established in the appraisal report.

The purpose of this appraisal is to estimate and report my opinion of the “As Is” MARKET VALUE of the subject 24.81 acres (1,080,724 SF) if it were sold to an individual buyer.

In the Sales Comparison Approach to value, the use of Comparable sales for the valuation of vacant land is considered to provide a solid indication of value provided that recent sales can be found with which to compare the subject. A thorough search was conducted in the local Multiple Listings Service, First American Title, Loopnet for any evidence of vacant commercial land market value during the past 18 months. Three recent vacant land sales of nearby properties were utilized in the analysis. The Land Residual Technique was used for illustrative purposes only. Most of the weight was given to the Sales Comparison Approach to value.

Therefore, based upon my investigation and analysis of the data gathered with respect to this assignment, I have formed the opinion that the “As Is” MARKET VALUE of the subject property’s fee simple interest, as of the effective date December 31, 2009, is measured in the amount of:

**\$2,370,000 (\$2.19/SF)**

**(TWO MILLION THREE HUNDRED SEVENTY THOUSAND DOLLARS)**

Reasonable exposure time necessary to sell this property to a single purchaser prior to the date of this appraisal is estimated to be 8 to 10 months.

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**ANALYSIS AND CONCLUSION (continued)**

**“As Is” MARKET VALUE OF  
PHASE I OF THE ESPERANZA DEVELOPMENT  
IF SOLD TO A SINGLE PURCHASER AS OF  
12/31/2008**

1. 223 EXISTING FINISHED RESIDENTIAL LOTS
2. 39.47 ACRES RESIDENTIAL LAND (143 PAPER LOTS)
3. 40.39 ACRES RESIDENTIAL LAND (89 PAPER LOTS)
4. 13.42 ACRES RESIDENTIAL LAND (120 PAPER LOTS)
5. 24.81 ACRES COMMERCIAL LAND

**ANALYSIS AND CONCLUSION (continued)**

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The subject property consists of 223 finished residential lots, 37.47 acres residential land (143 paper lots), 40.39 acres residential land (89 paper lots), 13.42 acres residential land (120 paper lots) and 24.81 acres commercial land. The purpose of the appraisal is to estimate the effective market value of the subject property if all parcels sold to one buyer as of 12/31/09

During the appraisal process, individual values were estimated for each parcel as if each parcel were sold to individual buyers. In order to estimate the "As Is" market value of the subject property if all parcels were sold to one buyer, a discount of 3% was made to the aggregate retail value. This value is calculated below:

<b>223 Finished Residential Lots</b>	<b>\$2,445,000</b>
<b>39.47 Acres Residential Land</b>	<b>\$ 503,000</b>
<b>40.39 Acres Residential Land</b>	<b>\$ 525,000</b>
<b>13.42 Acres Residential Land</b>	<b>\$ 225,000</b>
<b>24.81 Acres Commercial Land</b>	<b><u>\$2,370,000</u></b>
<b>Total Aggregate Retail</b>	<b>\$6,068,000</b>
<b>Discount for Bulk Sale</b>	<b><u>X        3%</u></b>
	<b>(\$ 182,000)</b>
<b>"As Is" Market Value</b>	<b>\$5,886,000</b>

**RECONCILIATION****IV. RECONCILIATION AND FINAL ESTIMATE OF VALUE (Entire Project)**

- **Land Residual Technique (Fee Simple) \$5,886,000 (“As Is”)**

Reconciliation involves analysis of the quantity and quality of all data in the report. The advantages, relevance, and market support for each of the approaches to value was considered. Conclusions were derived throughout the report explaining any discrepancies using reasonable judgment, tying it all together and relating the results to the subject property. Because the real estate market is imperfect, complete agreement of the approaches is not necessary. However, reasonable conclusions were reached using the groundwork established in the appraisal report.

The purpose of this appraisal is to estimate and report my opinion of the subject property’s “As Is” MARKET VALUE if the entire project were sold to an individual buyer.

In the Sales Comparison Approach to value, the use of the Comparable sales for the valuation of vacant land is considered to provide a solid indication of value provided that recent sales can be found with which to compare the subject. A thorough search was conducted in the local Multiple Listings Service, First American Title Loopnet, and COSTAR COMPS for any evidence of vacant residential market value during the past 18 months.

The Land Residual Technique is a good indication of land value and economic feasibility. Subtracting the hard and soft costs of development as well as the developer’s profit, from the present value of the future benefits indicates a residual to raw vacant land.

Therefore, based upon my investigation and analysis of the data gathered with respect to this assignment, I have formed the opinion that the “As Is” MARKET VALUE of the subject property, as of the effective date December 31, 2009, is measured in the amount of:

**\$5,886,000**

**(FIVE MILLION EIGHT HUNDRED EIGHTY SIX THOUSAND DOLLARS)**

Reasonable exposure time necessary to sell this property to a single purchaser prior to the date of this appraisal is estimated at 8 to 10 months.

Allocated:

\$2,371,650	223 Finished Lots (\$10,635/Finished Lot)
\$487,910	37.47 Acres (143 Paper Lots - \$3,412/Paper Lot - \$13,021/Acre)
\$509,250	40.39 Acres (89 Paper Lots - \$5,722/Paper Lot - \$12,608/Acre)
\$218,290	13.42 Acres (120 Paper Lots - \$1,819/Paper Lot - \$16,266/Acre)
<u>\$2,298,900</u>	24.81 Acres Commercial Land (\$2.19/SF - \$95,396/Acre)
\$5,886,000	Total

**ADDENDA**

## CURRICULUM VITAE OF THE APPRAISER

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**RAYMOND L. DOZIER, MAI**  
DOZIER APPRAISAL COMPANY  
Resort and Urban Property Appraisers  
73-350 El Paseo, Suite 206  
Palm Desert, California 92260  
Telephone (760) 776-4200  
Fax (760) 776-4977  
E-Mail dozierappraisal@dc.rr.com

**Education:** University of Kentucky, B.A., 1974  
Business Administration and Economics

Law Student, JD Candidate,  
Saratoga University

**Professional:** MAI Member, Appraisal Institute  
Committee Member, Experience Review for MAI Designation  
Member, International Council of Shopping Centers (ICSC)  
Member, National Association of Realtors  
Member, California Association of Realtors  
Member, Certified Divorce Planners

**Expert**  
**Witness:** Superior Court of California  
U.S. District Court  
Federal Bankruptcy Court

**Licenses:** State of California Certified General Real Estate Appraiser #AG004590  
State of California Real Estate Broker #01173680

**Experience:** Commercial Appraiser - Associate with 1972-1980  
R.W. Karlee, MAI  
Dozier Appraisal Company, Resort & Urban 1980 -  
Property Appraiser - Owner

**Faculty:** Guest Instructor: University of Kentucky; Courses Taught Corporate Finance and  
The Time Value of Money.

**Continuing**  
**Education:** Subdivision Analysis; Litigation Valuation; Discounted Cash Flow; Economy and Local  
Trends; Architecture and Construction; FIRREA Law; Current Issues in Appraising;  
Summary and Restricted Reports; Special Purpose Property Appraisals – Going-Concern  
& Business Value; Subdivision Analysis; Fast Food Restaurant Valuation; “Benefits” in  
Eminent Domain Property Valuations; Attacking & Defending an Appraisal in Litigation;  
Master Planned Communities Skilled Nursing Facilities; Valuation of Detrimental  
Conditions; Real Estate Fraud and Appraiser's Role.



Page 2 - Curriculum Vitae of the Appraiser

**Partial List of Clients:**

**Legal and Accounting Firms:**

Pillsbury, Madison & Sutro - L.A.  
Rutan & Tucker - Costa Mesa, CA  
Scott J. Zundel

Schlecht, Shevlin & Shoenberger  
Murphy, Pearson, Bradley & Feeney - San Francisco  
Best, Best & Krieger

**Lending Institutions:**

El Dorado Bank  
American Commerce Bank  
Home Savings of America  
First Security Mortgage  
Salt Lake City, Utah  
Wells Fargo Bank  
Palm Springs Savings Bank  
First Community Bank  
Palm Desert National Bank  
Bank of the Desert  
Bank of California  
Transco Mortgage Company  
Bank of Los Angeles

Union Bank  
Valley National Bank of Arizona  
Manufacture's Bank  
PFF Bank & Trust  
(Formerly Pomona First Federal)  
First Security Bank  
Farmer's Merchant Bank - Long Beach  
Riverside National Bank  
San Diego National Bank  
Mitsubishi Bank, LTD  
Midland Financial - Clearwater, FL  
First Interstate Bank  
Mitsubishi Bank, LTD

**Government Agencies:**

Bureau of Indian Affairs  
Bureau of Land Management ( BLM )  
Palm Springs California Edison  
Southern California Edison  
Southern California Gas  
City of Rancho Mirage  
City of Coachella  
City of Indio  
City of Palm Springs  
County of Riverside  
U.S. Department of Agricultural  
City of La Quinta  
Riverside County Housing

City of Cathedral City  
RTC - Contract  
City of Palm Desert  
City of Moreno Valley  
FDIC  
Department of Indian Affairs  
Sacramento, CA  
City Indian wells  
Farmer Home Administration  
State of California Department of Ins.  
SBA Regional Office  
Federal Aviation Administration (FAA)  
Riverside County Flood Control

**Schools:**

Desert Sands Unified School District  
Morongo Unified School District  
Palm Springs Unified School District

**Utilities:**

Coachella Valley Water District  
Morongo Water District  
Cal - Trans  
Desert Water Agency

Page 3 - Curriculum Vitae of the Appraiser

**Hospitals:**

Eisenhower Medical Center  
JFK Memorial Hospital  
Riverside General Hospital  
Desert Hospital

**Corporations:**

Bechtel Corporation  
Motion Picture & TV Fund

**Non-Profit Organizations:**

Berger Foundation  
Joseph Drown Foundation

**Insurance Companies:**

Republic Western, Scottsdale, AZ

**Real Estate Development & Engineering:**

Wessman Construction Company  
American Properties Funding  
Del Webb California Corporation  
Lowe Development  
Ocean Properties - San Diego  
Oliphant & Lizza, Development Group

Strother Construction Company  
Regency Homes - Peter Soloman  
Orr Construction  
Aqua Caliente Band of Cahuilla Indians  
Ruby Broadcasting Company

**Appraisal Functions Include:**

Acquisitions, Bankruptcy, Bond Financing, Condemnation, Construction Defect, Disposition and Liquidation Decision Making, Abundance of Caution for Federally Related Transaction, Donation, Estate Tax Appeal, Exchange, Excess Land, Determination of Economic Feasibility and Market Absorption, Foreclosures, Litigation, Real Property Tax Appeal, Negotiation, Partnership Dissolution, Portfolio Review for Non-Profits, Redevelopment, Lending for Real Property and Going Concern, Group Rental for Long Term Leases, Determining Highest and Best Use of Undeveloped Acreage, Claims of Damage to Real Estate Caused by Other Party, USPAP Compliance Appraisal Review.

**Typical Appraisal Assignments:**

**Public:**

Airport Expansions, Assessment Districts, Electrical & Access R/W's, Flood Control Projects, Park Sites, Subterranean Pipeline Easements, Golf Courses, Proposed Prison Sites, Public Right -of - Way Dedications, Railroad R/W's, School Sites, Temporary Easements, Urban and Rural Mountainous Land, Indian and Leaseholds and Lease Fees, Mountainous Communication Tower Sites, IRS seizures on Questionable Properties, Desert Lands, Accretion Interests Caused By Changing River Courses, and RTC Deposition for Auctions.

**Private:**

Drug Rehab Centers, Cold Storage Facilities, Mobile Home Parks, Day Care Centers, Mini-Storage, Newspaper Buildings, Proposed Service Station, Car-washes, Apartment Complexes, Medical Office Buildings, Neighborhood & Community Shopping Centers, Residential and Commercial Subdivisions, Restaurant Going - Concern, Undeveloped Acreage, Highest and Best Used Studies, Highway Patrol Facilities, Churches, Special Purpose Properties, Trucking, Distribution Facilities, Golf Course Properties, Proposed Time-Share Developments, Aggregate Retail and Bulk or Wholesale Values of proposed Subdivision Developments, Retrospective Real Property Valuations, Motels, Parking Lots, Gypsum Mine Acres, Clothing Optional Resorts, R & D Industrial Facilities, Historical Buildings, Agricultural Going - Concern, Riverfront Properties, Ranch's and Equestrian Centers, Thoroughbred Racehorse Farms, Sports Clubs, Multi -Screen Movie Theaters, High-rise Office Buildings, Planned Unit Developments (PUD's), to Estimate Liquidation Value for Forced Sale or Auction Proceedings, Recreation Properties, Campgrounds, and Cemeteries.

Page 4 - Curriculum Vitae of the Appraiser

**Interest and Value Types Appraised:**

Fee Simple Estate

Leased Fee Estate

Lease Hold Estate

Sandwich Leasehold Estate

Life Estates

Vertical Estates (Subsurface & Air Rights)

Easements

Partnership Interests

- Joint Tenancy Value
- Tenancy by the Entirety Value
- Tenancy in Common Value

Market Rental Value

Specialized Fractional Ownership

- Condominium Interest
- Cooperative Interest
- Timeshare Interest

Legal Entities Affecting Ownership

- Stock Corporation Market Value
- Land Trust Beneficiary's Partial Interest
- Fixed Assets
  - Tangible Assets Value
  - Intangible Assets Value
  - Financial Assets Value
- General and Limited Partnership Interests
- Equity Syndications
- Closely Held Business
  - Going Concern Value (Real Property & Business Value)
  - Business Value only
- Liquidation Value vs Continued Operation of Business
- Use Value (as opposed to Value in Exchange)

Investment Value (individual's Investment Return Objectives)

Highest and Best Use Analysis Impacting Value

- Economic Feasibility Studies

Eminent Domain (State and Federal Rule)

- Just Compensation Estimates for Public Takings of Private Property Interests
- Determination of the "Larger Parcel"
- Other Legal Matters
  - Valuation of Detrimental Conditions, Construction Defects, etc.
  - Diminution of Value ( Before and After )

**DOZIER APPRAISAL COMPANY**  
**Resort and Urban Property Appraisers**  
**Valuation and financial Consultants**

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**COMPANY PROFILE**

Dozier Appraisal Company is a real property and financial consulting firm specializing in litigation consulting and real property/business valuation services. Founded in 1980 as a real property /business valuation firm, Dozier Appraisal Company consists of a team of dedicated professionals with experience in financial and economic analysis, real property valuation, business valuation, condemnation, damage analysis and related disciplines.

**REAL PROPERTY AND BUSINESS VALUATIONS SERVICES**

Dozier Appraisal Company has extensive expertise in valuation of all types of complex real property interests and of close-held businesses. The firm provides assistance in valuation matters for:

Real Property

- Estates; Private Lending
- Commercial Lending
- Eminent Domain Proceedings
- Highest and Best Use Analysis
- Partial Interest Valuation
- Economic Feasibility
- Market Rental and Absorption

Businesses

- Marital Dissolution
- Community Property Settlement
- Partnership or Corporate Dissolution
- Estate, Gift and Other Tax Matters
- Stock Contributions to Charitable Organizations
- General Business Litigation

The firm has completed more than two thousand valuation assignments covering wide spectrum of industries including:

- Resorts
- Agriculture
- Contracting
- Distribution
- Financial Services
- Public Agencies
- Hospitality
- Manufacturing
- Professional Practice
- Retail
- Sports & Leisure
- Services

## Page 2 – Company Profile

In addition, Dozier Appraisal Company has expertise in valuing intangible business assets, including:

- Going Concern Value
- Goodwill
- Existing Contracts
- Brand Names & Registered Trademarks
- Affiliation Agreements
- Franchises
- Firm Rights
- Copyrights
- Leasehold Interests
- Licenses
- Patents
- Employment Contracts
- Mailing Lists
- Water Rights
- Tax Credits for Past Losses

The Philosophy of Dozier Appraisal Company is to provide thoroughly, objective valuation analysis of real property interest and closely-held companies. The firm accepts many of its valuation assignments by stipulation of the parties to a legal proceeding in which the value of real property or business interests are at issue. Appraisals prepared by Dozier Appraisal Company have been successfully defended in the courts many times.

### **Community Property Matters**

The valuation of a going business or professional practice in a community property division is a complicated process requiring a broad-based knowledge of the laws pertaining to community property business valuations. Although Dozier Appraisal Company does not render legal services, the firm has significant expertise in community property assignments, including the valuation of non-salable professional goodwill and calculations relating to the allocation of business appreciation between community and separate property (Pereira and Van Camp analysis).

### **Eminent Domain Matters**

Dozier Appraisal Company has extensive experience in just Compensation estimates for public takings of private property interests. One of the most critical factors in determining the taking's "before" and "after" market value is the estimation of "what is the Larger Parcel"? Damages to the remainder due to a partial taking can be significant. Consequently, it is critical that the "Larger Parcel" be accurately determined. Dozier Appraisal Company can be instrumental in providing legal counsel consultation in review of opposition's appraisal; suggested line of questioning in valuation matters regarding depositions and trials; and a fair and though explanation of all influences that impact market value.

Page 3 – Company Profile

## **LITIGATION CONSULTING SERVICES**

Dozier Appraisal Company provides a full spectrum of litigation support services to the legal community. The firm's area of expertise includes evaluation of economic damage resulting from business torts, breach of contract, personal injury, wrongful termination and other causes of action. Litigation support services range from document review and preliminary damage calculations to complete financial analysis and research culminating in a formal, written report or expert testimony.

### **Financial and Economic Analysis**

Dozier Appraisal Company provides financial and economic analysis to estimate damages in civil litigation matters. The professional staff of Dozier Appraisal Company has expertise in damage analysis and computing lost profits for many types of cases, including:

- Antitrust
- Breach of Contract
- Business Interruption
- Business Torts
- Copyright Infringement
- Fraud and Embezzlement
- Lender Liability
- Patent Infringement
- Personal Injury
- Professional Liability
- Wrongful Death
- Wrongful Termination

### **Forensic Appraising Services**

The firm performs investigative services in the areas of:

- Tracing separate and community funds
- Searching for unrecorded income
- Analyzing expenses and expenditures
- Reconstruction of incomplete or inaccessible records

### **Other Consulting Services**

In addition to our other services, Dozier Appraisal Company can facilitate discovery, settlement negotiation and trial preparation by:

- Providing economic research
- Reviewing financial documents and selecting key items to be analyzed
- Conducting quantitative analysis for settlement negotiations

Page 4 – Company Profile

**Other Consulting Services (Cont'd)**

- Locating outside information sources
- Preparing questions for and interpreting responses of other financial witnesses
- Assisting in cross examination preparation
- Critiquing opinion and providing rebuttal testimony

**Expert Testimony**

The senior associates at Dozier Appraisal Company have significant litigation experience. The firm's philosophy is to present credible, defensible solutions to financial and economic issues in concise reports or through expert testimony, if required. The use of courtroom quality graphics helps to illustrate our findings in a readily understandable format.



## **ASSUMPTIONS AND LIMITING CONDITIONS**

This appraisal report has been made with the following general and specific assumptions:

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management is assumed.
4. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
5. All engineering is assumed to be correct. The plot plans and illustrative material in the report are included only to assist the reader in visualizing the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or in arranging for engineering studies that may be required to discover them.
7. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based.
10. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
11. Possession of this report, or a copy thereof, does not carry with it the right of publication.
12. The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.

Page 2

Assumptions and Limiting Conditions

13. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm, with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
14. Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimated, unless such proration or divisions of interests have been set forth in the report.
15. No legal description or survey was furnished so the appraiser utilized the county tax plat to ascertain the physical dimensions and acreage of the property. Should a survey prove these characteristics inaccurate, it may be necessary for this appraisal to be adjusted.
16. The forecasts, projections, or operation estimates contained herein are based upon current market conditions, anticipated short-term supply and demand factor, and a continued state economy. These forecasts are, therefore, subject to changes in future conditions.
17. The term "Market Value", as used in this report, as agreed upon by federal financial institutions in the United States of America is:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeable, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated.
- Both parties are well informed or well advised, and acting in what they consider their best interests.
- A reasonable time is allowed for exposure in the open market.
- Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

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Assumptions and Limiting Conditions

18. The appraiser assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical or demographic factors were not present as of the date of the letter of transmittal accompanying this report. The appraiser is not obligated to predict future political, economic or social trends.
19. In preparing this report, the appraiser was required to rely on information furnished by other individuals or found in previously existing records and /or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either expressed implied, is given by the appraiser for the accuracy of such information and the appraiser assumes no responsibility for information relied upon later found to have been inaccurate. The appraiser reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional or more reliable data that may become available.
20. No opinion as to the title of the subject properties rendered. Data related to ownership and legal description was obtained from public records and is considered reliable. Title is assumed to be marketable and free and clear of all liens, encumbrances, easements, and restrictions except those specifically discussed in the report. The property is appraised assuming it to be under responsible ownership and competent management.
21. The appraiser assumes no responsibility for hidden or unapparent conditions of the property, subsoil, ground water or structures that render the subject property more or less valuable. No responsibility is assumed in arranging for engineering, geological, or environmental studies that may be required to discover such hidden or unapparent conditions.
22. The appraiser has not been provided any information regarding the presence of any material or substance on or in any portion of the subject property or improvements thereon, which material or substance possesses or may possess toxic, hazardous and/or other harmful and/or dangerous characteristics. Unless otherwise stated in the report, the appraiser did not become aware of the presence of any such material or substance during the appraiser's inspection of the subject property. However, the appraiser is not qualified to investigate or test for the presence of such materials or substances. The presence of such materials or substances may adversely affect the value of the subject property. The value estimate in this report is predicated on the assumption that no such material or substance is present on or in the subject property or in such property or in such proximity thereto that it would cause a loss in value. The appraiser assumes no responsibility for the presence of any such substances or materials on or in the subject property, nor for any expertise or engineering knowledge required to discover the presence of such substance or material. Unless otherwise stated, this report assumes the subject property is in compliance with all federal, state and local environmental laws, regulations and rules.

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Assumptions and Limiting Conditions

23. Unless otherwise stated, the subject property is appraised assuming it to be in full compliance with all applicable zoning and land use regulations and restrictions.
24. Unless otherwise stated, the property is appraised assuming that all required licensees, permits, certificates, consents or other legislative and/or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
25. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area of the subject property was taken from sources considered reliable and no encroachment of the subject property is considered to exist.
26. No opinion is expressed as to the value of subsidiaries oil, gas, or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials, except as expressly stated.
27. Maps, plats and exhibits included in this report are for illustration only to serve as an aid in visualizing matters discussed within the report. They should not be considered as survey or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from the report.
28. No opinions are intended to be expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers.
29. Where the discounted cash flow analysis is utilized, it has been prepared on the basis of the information and assumptions stipulated in this appraisal report. The achievement of any financial projections or forecasts will be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, the actual results achieved may vary from the projections and such variation may be material.
30. Property values are influenced by a large number of external factors. The information contained in the report comprised the pertinent data considered necessary to support the value estimate. We have not knowingly withheld any pertinent facts, but we do not guarantee that we have knowledge of all factors which might influence the value of the subject property. Due to rapid changes in external factors, the value estimate is considered reliable only as of the effect date of the appraisal.

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#### Assumptions and Limiting Conditions

31. The liability of Dozier Appraisal Company, its owner and staff is limited to the Client only and to the amount of fees actually paid for the services rendered, as liquidated damages, if any related dispute arises. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the Client, the Client shall make such party aware of all Limiting Conditions and Assumptions of the assignment and related discussions. The Appraiser is in no way responsible for any cost incurred to discover or correct any deficiencies of any type present in the property, physically, financially and/or legally. The Client also agrees that in case of a lawsuit (brought by lender, partner or part owner in any form or ownership, tenancy or any other party), Client will hold appraisers completely harmless for and against any liability, loss, cost or expense incurred or suffered by appraiser in such action, regardless of its outcome.

#### Competency Provision

32. The appraiser undertaking this assignment warrants that he is competent in properly identifying the appraisal problem and has the necessary knowledge and experience to complete the assignment.

#### Entire Fee Appraised

33. At the request of the Client, the valuation reported in the appraisal report relates to the value of the entire fee simple estate considered as whole. This valuation opinion is not divisible into portions of the subject property representing less than the entire fee simple estate. For example, it may not be assumed that half of the fee simple estate has a market value of half of the market value for the entire fee simple estate.

#### Appraisal Without Title Policy

34. A title policy was made available to the appraiser, although the appraiser assumes no responsibility for such items of record not disclosed by the appraiser's customary investigation.

#### Soils/Geologic Studies

35. No detailed soils or geological studies or reports were made available to the appraiser. Premises employed in this report regarding soils and geologic qualities of the subject property have been discussed with the Client and are consistent with the information made available to the appraiser. However, such premises are not conclusive and the appraiser assumes no responsibility for soils or geological conditions discovered to be different from the conditions assumed in this report.

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Assumptions and Limiting Conditions

### **Earthquake Potential**

36. The property which is the subject of this appraisal is within a geographic area prone to earthquakes and other seismic disturbances. Except as specifically indicated in the report, no seismic or geological studies have been provided to the appraiser concerning the geologic and/or seismic conditions of the subject property. The appraiser assumes no responsibility for the possible effect on the subject property of seismic activity and/or earthquakes.

### **Testimony in Court**

37. Testimony or attendance in Court or at any hearing is not required by the reason of this appraisal unless further authorization to fully appraise the property involved is granted to the appraiser at a fee to be determined prior to the commencement of such additional work.

### **Structural Deficiencies**

38. The appraiser has personally inspected the subject property, and except as noted in this report, finds no obvious evidence of structural deficiencies in any improvements located on the subject property. However, the appraiser assumes no responsibility for hidden defects or non-conformity with specific governmental requirements, such as fire, building and safety, earthquake or occupancy codes, unless inspections by qualified independent professionals or governmental agencies were provided to the appraiser. Further, the appraiser is not a licensed engineer or architect and assumes no responsibility for structural deficiencies not apparent to the appraiser at the time of his inspection.

39. American with Disabilities Act of 1990 ("ADA") became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.

### **Termite/Pest Inspection**

40. No termite or pest infestation report was made available to the appraiser. It is assumed that there is no significant termite pest damage or infestation, unless otherwise stated.

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Assumptions and Limiting Conditions

**Personal Property Not Appraised**

41. No consideration has been given in this appraisal as to the value of the property located on the premises considered by the appraiser to be personal property, nor has the appraiser given consideration to the costs of moving or relocating such personal property; only the real property has been considered in this appraisal.

**Asbestos**

42. The appraiser is not aware of the existence of asbestos in any improvement on the subject property. However, the appraiser is not trained to discover the presence of asbestos and assumes no responsibility should asbestos be found in or at the subject property. For the purposes of this report, the appraiser assumes the subject property is free of asbestos and that the subject property meets all federal, state, and local laws regarding asbestos abatement.

**Archaeological Significance**

43. No investigation has been made by the appraiser and no information has been provided to the appraiser regarding potential archaeological significance of the subject property or any portion thereof. This report assumes no portion of the subject property has archaeological or historical significance
44. The value stated herein is not considered appropriate for a broad based ownership such as a syndication. It is understood and agreed that the appraisal report of valuation stated herein shall not be relied upon or utilized in any syndication or real estate security registration document.